Environment and Sustainable Resource Development

Annual Report
2012-2013

Copies of the annual report are available on the Environment and Sustainable Resource Development website at esrd.alberta.ca or by contacting:

Environment and Sustainable Resource Development
Information Centre
Main Floor, 9920 – 108 Street
Edmonton, AB T5K 2M4

Phone: 310-ESRD (3773)
Fax: 780-427-4407
Email: ESRD.info-centre@gov.ab.ca

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Environment and Sustainable Resource Development

Annual Report
2012 - 2013

Preface 2

Minister's Accountability Statement 3

Message from the Minister 4

Management's Responsibility for Reporting 5

Results Analysis 7

- Ministry Overview 7
- Review Engagement Report (Auditor General's Report) 12
- Performance Measures Summary Table 13
- Discussion and Analysis of Results 16
- Ministry Expense by Function 63

Financial Information 65

- Auditor's Report 66
- Financial Statements 67

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and the Measuring Up report, which compares actual performance results to desired results set out in the government's strategic plan.

On May 8, 2012, the government announced new ministry structures. The 2012-13 ministry annual reports and financial statements are based on the new ministry structure.

The Ministry of Environment and Water and the Ministry of Sustainable Resource Development were consolidated and renamed as the "Ministry of Environment and Sustainable Resource Development."

This annual report of the Ministry of Environment and Sustainable Resource Development contains the Minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the former ministry business plans. This ministry annual report also includes:

- **The financial statements of entities making up the ministry including the Department of Environment and Sustainable Resource Development, regulated funds, and provincial agencies for which the minister is responsible;**
- **Other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and**
- **Financial information related to trust funds under administration.**

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2013, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 10, 2013, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Honourable Diana McQueen
Minister of Environment and Sustainable Resource Development

Message from the Minister

As I look back on 2012-13, I am incredibly proud of the work we have accomplished together. On May 8, 2012, the Government of Alberta announced the consolidation of Sustainable Resource Development and Environment and Water into the new Ministry of Environment and Sustainable Resource Development (ESRD).

Uniting two large and busy ministries while still delivering daily services to Albertans across this great province was no small feat. We reached numerous milestones, including the release of the Lower Athabasca Regional Plan and continued public consultation on the South Saskatchewan Regional Plan. We had the privilege of working with our federal counterparts to introduce a robust joint federal-provincial monitoring plan for the oil sands. Along with our Alberta Energy and Energy Resources Conservation Board colleagues, ESRD also helped establish the Alberta Energy Regulator. We delivered all of this while still providing exceptional front-line service to Albertans by monitoring our air, land, water and biodiversity, fighting forest fires in our communities, and holding those who fail to comply with environment and natural resource laws to account.

The transition of the two departments continues to be a work in progress. However, as we move forward, our work on land-use frameworks and our emphasis on collaboration and coordination remain integral to our future vision. Our work will continue to take centre stage, as the province asserts itself internationally as a responsible energy developer.

Albertans place a high priority on the responsible management of both the environment and our natural resources. They also understand our province's prosperity and high standard of living depend on a strong economy that creates jobs, supports our health and education systems, and sustains our arts, cultural and recreational institutions. It is government's job, and the work of ESRD through its Integrated Resource Management System to find the right balance.

Competition for land-use and resources has never been greater. Alberta's population is growing, its economy is growing, and markets are increasingly becoming more global. ESRD remains committed to finding new and improved ways of managing and conserving our land, air, water, biodiversity, natural resources and natural beauty. Our focus continues to be on our ongoing commitment to strong, effective and transparent environmental policy, while working to open market access for Alberta's products and services.

This year, I had the opportunity to travel across the province to hear from Albertans about a range of issues, including water use and management, sustainable drinking water, healthy lakes and land-use planning. I look forward to more conversations with Albertans that will help ensure we stay connected and continue to work together on matters that are important to us all.

[Original signed by]

Honourable Diana McQueen

Minister of Environment and Sustainable Resource Development

Management's Responsibility for Reporting

The Ministry of Environment and Sustainable Resource Development includes:

- Department of Environment and Sustainable Resource Development,
- Climate Change and Emissions Management Fund,
- Environmental Appeals Board,
- Environmental Protection and Enhancement Fund,
- Land Compensation Board,
- Land Stewardship Fund,
- Natural Resources Conservation Board, and
- Surface Rights Board.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Environment and Sustainable Resource Development. Under the direction of the minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability - information agrees with underlying data and the sources used to prepare it.
- Understandability and Comparability - current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness - performance measures and targets match those included in Budget 2012.

As Deputy Minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- Provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- Provide information to manage and report on performance;
- Safeguard the assets and properties of the province under ministry administration;
- Provide Executive Council, the President of Treasury Board and Minister of Finance and the Minister of Environment and Sustainable Resource Development information needed to fulfill their responsibilities; and

- Facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executive of the individual entities within the ministry.

[Original signed by]

Dana Woodworth
Deputy Minister of Environment and Sustainable Resource Development
June 10, 2013

Ministry Overview

ESRD consists of the department, the Land Use Secretariat, the Surface Rights Board, the Land Compensation Board, the Natural Resources Conservation Board, the Land Stewardship Fund, the Public Lands Appeal Board, the Environmental Protection and Enhancement Fund, the Environmental Appeals Board and the Climate Change and Emissions Management Fund.

The Surface Rights Board, Land Compensation Board and Natural Resources Conservation Board are adjudicative agencies reporting to the Minister of ESRD with their own business plans and annual reports. The department's budget includes funding for the Environmental Appeals Board, a quasi-judicial board, which is accountable directly to the Minister.

The ministry partners with six delegated administrative organizations to deliver some programs. They are the Alberta Conservation Association, the Alberta Professional Outfitters Society, the Forest Resource Improvement Association of Alberta, the Alberta Recycling Management Authority, the Beverage Container Management Board and the Alberta Used Oil Management Association. These organizations are accountable to the Minister but operate outside government with separate board governance, and have independent financial management and business plans.

The ministry's authority to carry out its mandate is primarily based on the *Alberta Land Stewardship Act, Boundary Surveys Act, Climate Change and Emissions Management Act, Drainage Districts Act, Environmental Protection and Enhancement Act*, *Expropriation Act, Fisheries (Alberta) Act, Forest and Prairie Protection Act, Forest Reserves Act, Forests Act, Hunting, Fishing and Trapping Heritage Act, Mines and Minerals Act, Natural Resources Conservation Board Act, Public Lands Act, Surface Rights Act, Surveys Act*, the *Water Act* and the *Wildlife Act*.

In May 2012, the Government of Alberta announced new ministry structures. This ministry overview is based on the structure in place on March 31, 2013.

Environment and Sustainable Resource Development

Dana Woodworth, Deputy Minister

ESRD is a part of Alberta's Integrated Resource Management System, with a commitment to managing air, land, water, biodiversity and advancing sustainable resource development. Cumulative effects management is used to lead the achievement of desired environmental outcomes and to guide actions on relevant provincial strategies, such as the Provincial Climate Change Strategy. It oversees the development, implementation, review and amendment of regional plans under the Land-use Framework. To accomplish its mission, the ministry collaborates with Albertans and representatives of communities, other governments and industry across jurisdictions – locally, nationally and internationally. The ministry is committed to making decisions that are informed, responsible and accountable and that consider the right mix of opportunities and benefits to achieve desired outcomes.

ESRD's mission is to lead the achievement of desired environmental outcomes and sustainable development of natural resources for Albertans, as proud stewards of air, land, water and biodiversity.

The ministry's core business is leading and enabling the achievement of desired environmental outcomes and the sustainable development of natural resources to provide economic and environmental benefits and to enrich the quality of life of all Albertans.

The department is organized into six main divisions: Corporate Services, Forestry and Emergency Response, Integrated Resource Management Planning, Operations, Policy, and Strategy. These divisions are supported by the Communications Branch, Human Resource Services and Legal Services.

Department Divisions *(in alphabetical order)*

Corporate Services

Tom Davis, Assistant Deputy Minister

Corporate Services division serves both ESRD and the Government of Alberta. It provides leadership for departmental processes and approaches, manages the corporation effectively and efficiently, and advances the department's strategic agenda within the Alberta Public Service. It provides integrated and coordinated support services and financial operations, leads information technology, maps out key directions and priorities, and manages corporate responsibilities.

Forestry and Emergency Response

Bruce Mayer, Assistant Deputy Minister

The division manages and protects Alberta's forest resources through effective and efficient wildfire management, sustainable forest management, forest health activities and advocacy for forest industry competitiveness. It also provides effective environmental emergency management and coordination through planning, response, and crisis management.

Integrated Resource Management Planning

Beverly Yee, Assistant Deputy Minister

The division leads the development of resource planning processes and facilitates and monitors the implementation of regional land-use plans and other integrated resource management plans for the department. The planning role incorporates an air, land, water and biodiversity perspective as well as planning around specific issues. In addition, the division facilitates engagement with broad interest groups such as Aboriginal peoples, municipalities, land users, industry stakeholders and environmental non-government organizations.

Operations

Matt Machielse, Assistant Deputy Minister

Operations division uses place-based knowledge to deliver policy, plans and frameworks through sound resource management of approvals, provincial programs, provincial water and fisheries infrastructure and provides assurance through compliance. It delivers, in an integrated manner, the department's overall programs, regulatory responsibilities and non-regulatory activities in support of achieving environmental outcomes for air, land, water and biodiversity. The division maintains regional partnerships and links to local communities.

Operations support environmental monitoring, validation, and science functions at all levels and is integrated with all components of the cumulative effects management system.

Policy

Shannon Flint, Assistant Deputy Minister

Policy division leads the development of environmental and natural resource policy that aligns with the strategic intent of the Government of Alberta and oversees policy integration for ESRD. Responsibilities include ensuring policy is developed based on science, research, analysis, and engagement, and that the policy process articulates and evaluates outcomes.

Strategy

Rick Blackwood, Assistant Deputy Minister

Strategy division enables an integrated, future-focused ministry through foresight, relationships, and advocacy. It helps to define the long-term direction of the department and collaborates across government and other jurisdictions through strategic relationships and engagement. The division ensures governance systems and organization supports are in place to facilitate integrated and effective delivery of department functions.

Department Support Areas

Communications Branch

Jessica Potter, Acting Director

The Communications branch provides the ministry with the resources to build open communication between the ministry and Albertans. The branch provides a range of communications support to department initiatives, programs and services. It works in partnership with government ministries, other orders of government and community and industry organizations to plan, publicize and execute key events and initiatives. Communications provides support for strategic and newsworthy department actions and serves as a media spokesperson for the ministry on emerging issues.

Human Resource Services Branch

Mike Boyle, Executive Director

Human Resource Services delivers staffing including strategies for attraction, development and retention, classification, compensation and employee relations services to the department. It works to build organizational capacity in support of career progression, performance planning, leadership development and coaching. The branch administers occupational health and safety programs and promotes workplace health and wellness initiatives.

Legal Services

Darin Stepaniuk, Director

Legal Services are primarily provided to the ministry by the Environmental Law Section of Justice and Solicitor General. The Environmental Law section supports the ministry by providing timely, effective advice to the Minister and all levels of the ministry using a corporate counsel model. The director of the Environmental Law Section is a member of the ministry's executive committee and is the ministry's senior legal adviser. The ministry's legal services are shared with the Parks Division of Tourism, Parks and Recreation.

Associated Entities

The Policy Management Office, Land Use Secretariat and Environmental Monitoring are entities that work closely with the department, but have unique reporting structures.

Policy Management Office

Cynthia Farmer, Assistant Deputy Minister

The Policy Management Office, PMO, (with joint reporting to Energy and ESRD) was formally established in September 2012 to ensure the integration of natural resource policies and provide an interface between policy development and policy assurance. PMO is responsible for leading implementation of the six Enhancing Assurance recommendations, including establishing a single regulatory body for upstream oil and gas, oil sands and coal development activities, providing a clear engagement process at the policy development and assurance stages, ensuring a common risk assessment and management approach, adopting a performance measurement framework and public reporting function, and ensuring an effective mechanism to address landowner concerns.

Land Use Secretariat

Beverly Yee, Stewardship Commissioner

The Land Use Secretariat (reporting to the Stewardship Commissioner) leads, supports, and provides expertise to government ministries in the implementation of the seven strategies in the Land-use Framework. It leads the development, review, amendments and reporting on the effectiveness of Government of Alberta Land-use Framework regional plans.

Environmental Monitoring

Ernie Hui, Chief Executive Officer

Alberta has taken a number of steps to restore public confidence in its monitoring, evaluation, and reporting system, including establishing the Alberta Environmental Monitoring Panel and Monitoring Working Group in 2011 and 2012 respectively, to provide recommendations on the creation of a province-wide world-class environmental monitoring system. Government intends to establish an arms-length public agency with a board of directors, responsible to the Minister of Environment and Sustainable Resource Development, to coordinate, provide scientific oversight, and undertake environmental baseline and effects monitoring.

Alberta's new Environmental Monitoring, Evaluation, and Reporting Agency's vision is to be a world-leading innovator in environmental monitoring, evaluation and reporting, providing credible and trusted scientific data and knowledge on the condition of Alberta's air, land, water and biodiversity.

Environmental Monitoring plays a key role in the Integrated Resource Management System, and the monitoring agency's purpose is to provide open and transparent access to credible and relevant scientific data and information on the condition or 'state' of Alberta's environment to inform policymakers, regulators, planners, researchers, communities, stakeholder groups, industries, and the general public. We look forward to establishing this agency in the coming months.

Review Engagement Report

AUDITOR
GENERAL
Alberta

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as reviewed by the Office of the Auditor General in the Ministry of Environment and Sustainable Resource Development's Annual Report 2012-2013. The reviewed performance measures are the responsibility of the ministry and are prepared based on the following criteria:

- Reliability – The information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability – The performance measure methodologies and results are presented clearly.
- Comparability – The methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – The goals, performance measures and related targets match those included in the ministry's budget 2012.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the performance measures identified as reviewed by Office of the Auditor General in the ministry's annual report 2012-2013 are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 6, 2013

Edmonton, Alberta

Performance measures reviewed by the Office of the Auditor General are noted with an asterisk(*)
on the Performance Measures Summary Table

Performance Measures Summary Table

Goal / Performance Measure(s)	Prior Year's Results				Target	Current Actual
Environmental outcomes are achieved through the use of effective risk-based policies, processes and infrastructure						
River Water Quality Index** – Measures the water quality of six major Alberta rivers at key sites, based on four groups of variables (metals, bacteria, nutrients and pesticides), which are averaged to provide an overall water quality rating	Five out of six river systems have good to excellent water quality (2007-08)	Six out of six river systems have good to excellent water quality (2008-09)	Five out of six river systems have good to excellent water quality (2009-10)	Five out of six river systems have good to excellent water quality (2010-11)	Six out of six river systems have good to excellent water quality	Four out of six river systems have good to excellent water quality (2011-12)
Air Quality Index** – Measures the quality of Alberta's air based on five major pollutants: carbon monoxide, nitrogen dioxide, ozone, sulphur dioxide and fine particulate matter	-	-	Good air quality days 93% of the time (2010)	Good air quality days 95% of the time (2011)	Good air quality days 93% of the time	Good air quality days 97% of the time (2012)
Total Greenhouse Gas Emissions** – Measures the total greenhouse gas emissions in million tonnes of CO_2equivalent, as outlined in *Alberta's 2008 Climate Change Strategy*.	247 (2007)	244 (2008)	234 (2009)	233 (2010)	246	242 (2011)
Drinking Water Safety Indicator[1]						
Facility Design Standards – Measures the percentage of facilities required to meet newer performance standards (1997 or 2006, as applicable)	87% (2008-09)	90% (2009-10)	92% (2010-11)	93% (2011-12)	96%	94% (2012-13)
Facility Operational Requirements – Measures the percentage of inspected facilities in compliance with important regulatory requirements that prevent water quality incidents	94% (2008)	88% (2009)	95% (2010)	94% (2011)	96%	94% (2012)
Drinking Water Quality – Measures the percentage of facilities that did not have significant drinking water quality incidents	94% (2008)	95% (2009)	96% (2010)	96% (2011)	97%	94% (2012)
Integrated policy and planning guide sound stewardship of Alberta's public lands and renewable natural resources						
Rangeland Sustainability – Percentage of rangeland leases in good standing	89% (2007-08)	87% (2008-09)	86% (2009-10)	84% (2010-11)	90%	84% (2011-12)
Forest sector compliance – Percentage of industry compliance with forestry standards	New measure	97.8% (2009-10)	98.5% (2010-11)	99.2% (2011-12)	100%	99.5% (2012-13)
Land-use Framework – Regional plans approved by Cabinet	New measure	0 2009-10	0 2010-11	0 2011-12	1	1 (2012-13)

Performance Measures Summary Table

Goal/Performance Measure(s)	Prior Year's Results				Target	Current Actual
Alberta's public lands and renewable natural resources provide economic, environmental and social benefits for Albertans						
Economic benefit from Alberta's public lands – Ratio of department revenue from dispositions to department expenditure on managing public lands	1.19:1 (2007-08)	1.37:1 (2008-09)	1.13:1 (2009-10)	1.36:1 (2010-11)	>1.00:1	2.26:1 (2011-12)
Ratio of Alberta government resource revenue to department expenditure on managing public lands	196:1 (2007-08)	217:1 (2008-09)	106:1 (2009-10)	132:1 (2010-11)	>100:1	186:1 (2011-12)
Sustainable Timber Harvest* – Annual allowable cut (million cubic metres)	26 2007-08	27 2008-09	28 2009-10	29 2010-11	Harvest does not exceed annual allowable cut	30 (2011-12)
Harvest (million cubic metres)	21 2007-08	21 2008-09	21 2009-10	20 2010-11		20 (2011-12)
Healthy forests: Rate of regrowth[2] – Percentage of forest regrowth attained	new measure	N/A 2008-09	N/A 2009-10	97.4% 2010-11	80%	97.6% 2011-12
Healthy forests: Wildfire* – Percentage of wildfires contained before 10 a.m. the day following detection***	98.1% 2008	98.7% 2009	98.1% 2010	96.1% 2011	97.6% (average of previous five years' results)	97.9% (2012)
Healthy fish and wildlife: Participation – Percentage change in fishing licences	3.7% 2008-09	8.5% 2009-10	-6.7% 2010-11	2.1% 2011-12	1.7% ≥Rolling average of last five years results	6.4% (2012-13)
Percentage change in hunting licences	2.3% 2008-09	0.2% 2009-10	2.0% 2010-11	0.4% 2011-12	2.0% ≥Rolling average of last five years results	5.5% (2012-13)
Healthy fish and wildlife: Stewardship – Percentage change in anglers under 18 years of age	1.4% 2008-09	7.0% 2009-10	-6.3% 2010-11	6.0% 2011-12	0.4% ≥Rolling average of last five years results	7.1% (2012-13)
Percentage change in hunters under 18 years of age	8.8% 2008-09	3.5% 2009-10	6.7% 2010-11	1.7% 2011-12	6.3% ≥Rolling average of last five years results	5.3% (2012-13)
Healthy fish and wildlife: Populations[3] – Percentage of species at risk	-	2.2% 2005	3.6% 2010	-	<5%	Next Results will be in 2015

Performance Measures Summary Table

Goal/Performance Measure(s)	Prior Year's Results				Target	Current Actual
Environmental outcomes are established and achieved through Albertans, communities, governments and industry working together						
Municipal Solid Waste to Landfills**[4] – Measured in kilograms of waste per capita.	841 kg per capita (2008)	757 kg per capita (2009)	738 kg per capita (2010)	717 kg per capita (2011)	675 kg per capita	691 kg per capita (2012)
Personal Engagement Indicator * – Measures percentage of Albertans who describe themselves as actively engaged in energy, waste or water conservation.						
Energy Conservation	87%	87%	90%	86%	86%	90%
Waste Conservation	87%	90%	90%	88%	88%	90%
Water Conservation	83%	84%	85%	84%	84%	86%
	(2008)	(2009)	(2010)	(2011)		(2012)

Notes:

1. The methodology for Facility Operational Requirements and Drinking Water Quality has been enhanced in 2011-12. Historical results have been restated under the new methodology. Data for the Drinking Water Safety Indicator does not include waterworks facilities at industrial sites.
2. The 2009-10 and 2010-11 values were reported in the 2011-12 Annual Report as 96.7 per cent and 96.3 per cent. Using revised calculation methodology, the actual for 2009-10 is N/A and for 2010-11 is 97.4 per cent.
3. Data for species at risk population is generated every five years. Next results will be in 2015.
4. Historical result have been revised to correct an insignificant misstatement due to a formula error.

*Indicates Performance Measures that have been reviewed by the Office of the Auditor General. The performance measures indicated with an asterisk were selected for review by ministry management based on the following criteria established by government:

- Enduring measures that best represent the goal,
- Measures for which new data is available, and
- Measures that have well established methodology.

**Indicates Performance Measures included in Measuring Up 2012-13 under strategic goal six. Data for the following performance measures were audited by the Auditor General for the specified years as indicated in the *Measuring Up* Auditors' Report:

1 Municipal Solid Waste to Landfills – 2009, 2010, 2011 and 2012
2 River Water Quality Index – 2008-09, 2009-10, 2010-11 and 2011-12

***The wording for the target has been updated since the 2011-14 Sustainable Resource Development Business Plan to provide greater clarity that the target is based on the percentage of wildfires contained before 10 a.m. the day following assessment, rather than the day following detection. There has been no change in the underlying methodology by which the result is calculated.

For more detailed information see Performance Measure Data Sources and Methodology Section on page 50 of the report.
For changes to performance measures see Changes to Performance Measures Information on page 59 of the report.

Discussion and Analysis of Results

Executive Summary

If everything has a season, then 2012-13 was the season of change for ESRD. It marked the formal merger of two departments that share stewardship responsibilities for Alberta's air, land, water, biodiversity, and natural resources.

On May 8, 2012, two former ministries, Environment and Water and Sustainable Resource Development, became one. Bringing together two departments into a cohesive, effective organization is complex and demanding work. ESRD has made progress toward this goal in 2012-2013 by completing the first phase of determining an organizational design strategy and embarking on the second phase of implementation. ESRD's organizational design strategy is intended to promote integrated thinking, decision-making and action with respect to air, land, water, and biodiversity.

The union is more like a reunion of responsibilities that were once together and naturally fit under one roof. There has always been a close relationship between both groups, with teams often sharing the same buildings and offices across the province. Together, this large family of some 2,800 employees will adopt a more integrated approach to managing air, land, water and biodiversity. Numerous work units have come together to review processes to better serve Albertans. Implementation work will be on-going as we continue to determine the optimal organization.

We are committed to implementing an integrated resource management system to ensure we understand the cumulative impact our growth has on our communities, the environment and our future. This means a coordinated and collaborative approach to defining environmental, economic, and social outcomes that reflect what Albertans expect from resource development, while maintaining the social licence to develop these resources.

Key highlights from 2012-13 include:

- Approval of the first regional land-use plan, the Lower Athabasca Regional Plan, which includes the oil sands region. It sets strong environmental limits, conserves a significant parcel of sensitive lands, provides certainty to industry, diversifies the economy, and offers numerous recreational opportunities in the area. It sets firm limits for air, land and water, along with mitigating responses for triggered thresholds.
- Significant work on the development of the second regional land-use plan, the South Saskatchewan Regional Plan, including a second round of public and stakeholder consultations to give Albertans an opportunity to provide input into to plan's development. The draft plan is currently under development and will undergo another round of public consultation in 2013.
- A province-wide water conversation with Albertans, with more than 1,000 Albertans attending public meetings held in 20 locations across the province. The conversation supported Albertans from a variety of backgrounds in having a meaningful conversation on priority water issues. The information-sharing exercise and discussion helped citizens build knowledge and raise awareness about water resources.
- Contributed to the creation of the Alberta Energy Regulator to operate as an effective and efficient review process for oil, gas, oil sands and coal industry in the province. The Alberta Energy Regulator will be a one-stop place for companies to submit requests for regulatory approvals. The department will continue to be responsible for making environmental and natural resource policy and regulations.
- Continued work with various industrial sectors and Environment Canada to ensure that an effective, flexible and Alberta-based regulatory regime is in place for managing greenhouse gases.

- A renewed Clean Air Strategy and action plan was released. This outlines the strategic directions and actions to be undertaken over the next 10 years to enhance key components of the Alberta Air Quality Management System.
- Continued work to build a comprehensive environmental monitoring system that is integrated across air, water, land and biodiversity; accessible and transparent; and operates under scientific oversight. This is the foundation of government's Integrated Resource Management System.
- Continued work on the rollout of the Alberta Forest Products Roadmap, a collaborative initiative with the forest industry to make the province's forest sector the most successful in North America. Carried out six wood product missions to Asia, including three to China and one each to Japan, Korea and Taiwan.

Environmental outcomes are achieved through the use of effective risk-based policies, processes and infrastructure

Environment and Water
Business Plan 2012-15

Integrated policy and planning guide sound stewardship of Alberta's public lands and renewable natural resources

Sustainable Resource Development
Business Plan 2012-15

Accomplishments:

Supporting One Window for Energy

In 2010, the Government of Alberta set up a Regulatory Enhancement Task Force, which examined how our province regulates its energy resources with a goal of creating a system that provides clarity, predictability, certainty and efficiency in delivering the results Albertans want.

The task force made recommendations to government to simplify what had become an increasingly complex system. Significant progress has been made in 2012-2013 to implement those recommendations.

Alberta Energy Regulator: Bill 2, the *Responsible Energy Development Act* (REDA) received Royal Assent on December 10, 2012. The legislation creates a single, arms-length regulator, called the Alberta Energy Regulator (AER) for upstream energy resource activities involving oil, gas, oil sands and coal. The new regulator is a key element to providing a streamlined and more effective process for the sustainable development of Alberta's energy resources while upholding strict environmental standards.

The AER will begin operations in June 2013 and regulatory functions will be phased-in over the course of a year. As part of this phasing-in, Part 3 of REDA will allow registration of private surface agreements with the new regulator. The AER can enforce these registered agreements.

Establish a Policy Management Office: The Government of Alberta established the Policy Management Office (PMO) in September 2012, with joint reporting to the departments of Energy and ESRD. An Assistant Deputy Minister was appointed to lead the PMO, hire staff, and start implementing task force recommendations in coordination with ESRD and Energy.

In February 2013, PMO started public consultation sessions and First Nations and Métis consultation sessions. Input from these consultation sessions will inform development of regulations to support REDA.

To help ensure integration of natural resource policies and provide an interface between policy development and assurance, development of a policy access system, called the Alberta Responsible Energy Policy System (AREPS) was undertaken. AREPS will provide a single source for locating policies related to, and affecting, the development of upstream oil, gas, oil sands and coal.

ESRD: The department identified and summarized its regulatory functions that would be transitioned to the single regulator. This summary formed the basis for the drafting of REDA regulations to support the AER and planning its implementation.

The department continues to support the AER's work as it takes on new responsibilities. ESRD will continue to be responsible for making environmental and natural resource policy and regulations.

Climate Change

Adaptation to climate change: For several years, the department has participated in a cross-ministry process to develop a provincial adaptation strategy; this work continued in 2012-13. Key accomplishments of this process include completing a climate change risk assessment and the development of department-specific adaptation strategies for participating government departments. The merger of Environment and Water and Sustainable Resource Development necessitated the synthesis of two different climate risk reports and adaptation strategies to represent one department. These reports are now informing the development of the broader provincial climate change adaptation strategy.

The department has also represented the province on regional and federal adaptation planning programs, such as the Adaptation Platform led by the Climate Change Impacts and Adaptation Division at Natural Resources Canada. The federal adaptation platform provides a structure to bring together knowledge, capacity, and financial resources from across Canada to produce the information and tools needed to understand and adapt to the effects of a changing climate.

2012 compliance results under Alberta's Specified Gas Emitters Regulation: Alberta was the first jurisdiction in North America to impose comprehensive regulations requiring large industrial facilities in various sectors to reduce their greenhouse gas emissions. Under Alberta's *Climate Change and Emissions Management Act*, the Specified Gas Emitters Regulation gives emitters flexible carbon compliance options.

The regulation requires all facilities that emit more than 100,000 tonnes per year of carbon dioxide equivalent to make a 12 per cent intensity reduction. Companies have four options to meet compliance under this regulation: improve the efficiency of their operations; buy carbon credits in the Alberta-based offset system that are generated from a non-regulated sector or operation; buy emissions performance credits from other regulated facilities that reduce beyond their 12 per cent obligation; or pay $15 per tonne of carbon dioxide equivalent into the Climate Change and Emissions Management Fund. The rationale of giving emitters such flexibility was supported in the 2012 compliance year, when large facilities successfully used a balanced mix of all compliance options.

Overall, a reduction in emissions has continued since the start of the program. Regulated facilities have decreased emissions by 4.92 million tonnes from baseline levels. Of this, 3.25 million tonnes were reduced due to the use of cogeneration, which is a more efficient way of generating heat and power; the remainder of reductions were found through the use of other efficiency and emissions abatement actions. The remaining compliance obligation, after internal reductions, was 9.14 million tonnes of carbon dioxide equivalent. The compliance obligation level increased as a greater number of new facilities achieved a full 12 per cent target.

Changes to the carbon offset program: In 2012, there were significant changes to Alberta's Carbon Offset Program. They include:

- Shift to reasonable assurance and phase-out of historical offset credits: As of January 1, 2012, several changes came into effect that made it easier for ESRD to verify reductions in greenhouse gas emissions have actually occurred. The department began requiring that all offsets generated for compliance must meet a higher level of review to ensure emissions reductions are correct. The department also phased out the use of historical offset credits, only allowing 'go-forward crediting.' This type of crediting requires emissions reductions to be quantified as they occur. Offset project developers had until March 31, 2012 to submit claims for historic offset credits generated from early action occurring from 2002 to 2011.
- Offset market: As of January 1, 2013, 133 projects accounting for nearly 26 mega-tonnes of greenhouse-gas emissions reductions had been identified on the Alberta Emissions Offset Registry. Projects cover a range of activities including improvements in farming practices, renewable energy and energy efficiency initiatives, and changes in forest and waste management practices.

- Development of a greenhouse gas third-party verification document: This document, a first of its kind, sets a metric for how to do greenhouse gas audits, garnering much attention outside of Alberta. The department, in collaboration with a multi-stakeholder team, developed this comprehensive guidance document for third-party verifiers. It clearly articulates principles for greenhouse gas verification at a higher level of reasonable assurance. This provides confidence to government that emissions reductions achieved in Alberta's system represent actual environmental improvements.

Sectoral Discussions with the Federal Government: Environment Canada is developing sector-by-sector regulations for large industrial emitters. ESRD has been actively participating in the discussions with the federal government and the various sectors to ensure Alberta's interests are protected and that the province can proceed with Alberta's Climate Change Strategy Renewal. The federal coal-fired power plant regulation was finalized in September 2012 and discussions with the oil and gas sector are underway. Discussions with many other sectors including fertilizer are in progress. We are working with Environment Canada towards equivalency agreements that ensure that Alberta continues to be the regulator of greenhouse gas emissions for Alberta's industry through the Specified Gas Emitters Regulation.

Stakeholder information sessions: ESRD hosted two information sessions in Edmonton and Calgary in December 2012. The purpose of the sessions was to update stakeholders on climate change policies and implementation of Alberta's regulatory framework in addition to changes to greenhouse gas technical and verification guidance documents. The information sessions were well attended by almost 100 stakeholders in Edmonton and 200 stakeholders in Calgary.

Climate Change and Emissions Management Fund: This fund is a key element of Alberta's overall Climate Change Strategy. It supports investment in innovation and clean technologies that will reduce Alberta's greenhouse gas emissions and improve the province's ability to adapt to climate change. The fund is the primary source of revenue for the Climate Change and Emissions Management Corporation (see below).

Proceeds from the fund are transferred annually to the Climate Change and Emissions Management Corporation through a grant from ESRD to projects that will address climate change challenges. In the 2012 calendar year, the fund collected $86 million.

Climate Change and Emissions Management Corporation: In its fourth year of operation, the Climate Change and Emissions Management Corporation's mandate is to reduce greenhouses gas emissions and improve the province's ability to adapt to climate change. It funds projects from research to commercialization in areas such as carbon capture and storage, renewable energy, clean energy production, energy efficiency, biological sequestration and bio-energy, and adaptation.

In 2012, the corporation processed six requests for proposals and approved 48 clean technology projects totaling $182 million of investment. The corporation has achieved an average 4:1 leverage ratio for every dollar it invests. The estimated emissions reduction from these projects is seven million tonnes of carbon dioxide equivalent over 10 years.

Information Sharing

FracFocus*:* ESRD is using information collected by the Energy Resources Conservation Board under the FracFocus initiative to support ESRD water management assessments. As of December 31, 2012, industry was required to report the contents of fracturing fluid.

This information will also be available to Albertans online at www.fracfocus.ca. Information should be uploaded by summer of 2013, as data from newly drilled and completed wells is reported under the new rules. This aligns with the Government of Alberta's focus on improved transparency in support of responsible resource development.

The FracFocus website was implemented by the British Columbia Oil and Gas commission to facilitate the disclosure of fracturing fluid information in Canadian jurisdictions. Adoption of the site supports Alberta's participation in the New West Partnership Trade Agreement.

Phosphorus testing: ESRD began the initial phase toward developing a phosphorus management plan for the Bow River. When complete, the plan will consider how to reduce the impact of point and nonpoint sources of phosphorus over a 50-year horizon. Facilitated by the department, this initiative is an example of collaboration among urban and rural municipalities, provincial and federal government departments, the Bow River Basin Council, environmental non-government organizations, agricultural working groups and industry. The data task team pulled together datasets previously unrelated to one another, allowing the sharing of important information across a broad spectrum of stakeholders, and leading to the creation of a new water-quality management tool. This project will serve as a prototype for part of the southern region's integrated resource management system.

Water

Water Conversation: Alberta's water needs are growing and expectations for how water is managed is evolving. To help inform the discussion on the future of Alberta's water, the Government of Alberta engaged Albertans in a water conversation on four topics: water management, hydraulic fracturing, healthy lakes and drinking water and wastewater systems. An opportunity was provided for Albertans to identify additional priorities for consideration.

Approximately 1,000 Albertans attended public meetings held in 20 locations across the province in February and March 2013. The purpose was to support Albertans from a variety of backgrounds in having a meaningful conversation on priority water issues. The information-sharing exercise and discussion helped citizens build knowledge and raise awareness about water resources.

About 260 people attended stakeholder sessions that followed a similar format. Meetings were held with First Nations and Métis groups. In addition, there were more than 650 responses to an online survey and about 200 written submissions sent to ESRD. The department is in the process of reviewing all the input and will take it into consideration to determine next steps.

External stakeholder engagement was completed on wetland replacement late in 2012, which provided input into a wetland policy and implementation plan that will be completed in 2013.

Water for Life: Alberta's Strategy for Sustainability and the *Water for Life*: ***Action Plan*** outline the Government of Alberta's vision, direction and strategic plan for the sustainable management of Alberta's water resources. A participant in implementation, the Alberta Water Council, a multi-stakeholder not-for-profit society has had three different project teams examining water conservation, efficiency and productivity. At its March 2013 meeting, the council approved the report of its third and final team, the Sector Planning for Conservation, Efficiency and Productivity Team. Approval of this final report represents the completion of a significant milestone under the conservation pillar of the Water for Life strategy. Activities undertaken under the action plan include:

- Water Conservation, Efficiency and Productivity Plans: All seven major water-using sectors in Alberta have voluntarily prepared Water Conservation, Efficiency and Productivity Plans and implementation work is underway. These plans complete the conservation short-term key actions identified in the *Water for Life*: ***Action Plan***. Each of the plans was approved by the respective sector organizations, which includes the following: chemical producers, downstream petroleum products, forestry, irrigation, power generation, upstream oil and gas and urban municipalities.
- Watershed management plans: The *Water for Life* strategy's mandate includes developing watershed management plans for all major watersheds in Alberta. This work continued in the 2012-13 year.
- Reporting guide: The Guide to Reporting on Common Indicators Used in the State of the Watershed Reports was released as a reference for groups reporting on conditions within their watershed. The guide sets out criteria and direction for consistent reporting on a subset of watershed health indicators commonly found in state of the watershed reports. The main audience for this document includes Alberta's watershed planning and advisory councils and watershed stewardship groups.

Other Achievements

Oil sands work camps: Work camps are a vital component for oil sands development to support worker accommodation needs as well as improve and enhance worker safety. ESRD and the Oil Sands Secretariat, working with the Oil Sands Developer Group and the Regional Municipality of Wood Buffalo, recently completed a review of work camps in the region and developed a draft strategy for accommodating future camps. ESRD has identified sites or nodes that can accommodate one or more camps on high ground away from water bodies, historic sites, within 30 minutes driving distances to project areas and where no mineral development is planned over the next 15 to 20 years. The department continues to work with camp operators and oil sands companies on their plans, and works with them to achieve objectives compatible with regional planning and environmental considerations.

Partners in air quality: Taking a unified approach to managing air quality, provincially and nationally, Alberta released its Clean Air Strategy and Action Plan on October 10, 2012 (see story page 24). This system incorporates the new national Air Quality Management System.

On October 11, 2012, Minister McQueen endorsed a new Canada-wide Air Quality Management System along with other provincial and territorial ministers under the Canadian Council of Ministers of the Environment. Alberta is helping to inform a collaborative approach with stakeholders to develop national standards and work toward continuous improvement of overall air quality in Canada.

Minister for a Day: While government seeks the views of adults through public consultation, the department also sought input from a new generation. Dozens of grade five students were invited to submit their best ideas to an annual contest for greening Alberta and sharing conservation practices. The top students toured the legislature, met with the Minister and participated in a mock legislature program.

Rangeland: Under the Land Trust Grant Program, ESRD approved $16.5 million in grants for six land trusts this fiscal year. This funding reserves approximately 37,000 acres of high conservation value land in Alberta. The land trusts use the funding to place voluntary conservation easements on land and/or maintain and administer the conserved land.

Aggregate program audit: ESRD established a three-year audit plan for the aggregate program (sand and gravel). The plan addresses the verification of material removed by Surface Material Lease holders and will provide accountability for the resources used. Audits will focus on those operators that materially impact the ministry's revenue forecast if they are non-compliant. The aggregate program allocates aggregate for commercial use on public land in a fair, comprehensive and timely manner that optimizes benefits for Albertans.

GeoDiscover: GeoDiscover program office launched a new website and portal in September 2012. This included the new map viewer capability that provides a 'Google like' user experience in working with geospatial data from the Government of Alberta, industry or private sector. It is aligned with Service Alberta to ensure support to the open government and open data initiatives.

Compliance assurance: The department utilizes a balance of education, prevention and enforcement to encourage and, if necessary, compel the behavioural changes required to obtain compliance. During the year, ESRD staff provided information in the form of activity books, pamphlets and brochures in order to explain the rules to participants at several trade and sportsmen events at major urban centres and in rural communities. Thousands of operations were inspected across the province, ranging from small business operations to multinational organizations with the intent of encouraging compliance and preventing non-compliance. The full suite of enforcement tools were utilized, such as warnings, administrative penalties, enforcement orders, suspension or cancellation of approvals, violation tickets and prosecutions to both compel compliance and to deter future non-compliance.

Clearing the Air: An Integrated Approach to Air Quality Management

An ESRD Story

The 2012 release of Clearing the Air: Alberta's Renewed Clean Air Strategy and its companion action plan lays the foundation for enhanced air quality management in Alberta.

"Alberta's clean air is a blessing," says Jillian Flett, section head of Strategy Planning and Development with ESRD. "The renewed strategy is a great example of the GoA collaboratively developing an integrated approach to air management."

"Rather than rely on separate initiatives, ESRD is taking a more holistic approach by working together with departments across the GoA, and with other provinces, the federal government and non-government partners to address air issues," says Flett. "Our work is interconnected. Air quality affects everyone, and we all have an important role to play in best managing air quality today and tomorrow."

The Alberta Air Quality Management System enhancements reflect the direction under the National Air Quality Management System. It also aligns with a local management approach under regional planning, whereby air quality is managed at a regional level, taking into account cumulative impacts of human activities. Regional air quality objectives are part of the discussions during development of regional plans, a recent example being the Lower Athabasca Regional Plan, approved in 2012.

"The renewed strategy outlines four key areas: regionally focused air quality management; shared responsibility with partners; integrated monitoring, evaluation and reporting; and knowledge enhancement," Flett adds. "A key part of this process is ensuring more information and educational material about air quality is available to all Albertans."

The accompanying action plan outlines how we will achieve our objectives in those four areas, along with an associated timeline for implementation. An essential starting point for managing air on a regional basis will be to gain a better understanding of the pressures facing Alberta's air quality and how emissions are managed as part of the air quality management system.

Broadly speaking, emissions come from two types of sources: point sources, such as smoke stacks, and nonpoint sources, like cars, "We've done a great job of identifying and managing point sources like smoke stacks, but the strategy sets out how we can build on that to manage other sources of air pollution," says Flett. "With a better understanding of nonpoint sources, we can collaborate with our partners and stakeholders to build effective solutions that take into account economic and social considerations. In the end, better monitoring and managing of nonpoint sources will lead to better air quality."

Participating Government of Alberta departments considered the extensive input from Albertans and key stakeholders when setting the direction in the strategy. "We wanted everyone to have an opportunity to contribute to setting the direction for Alberta," says Flett. "The result is a valuable product that has stakeholder buy-in, which will set the direction for years to come."

Roadmap to a Sustainable Future

An ESRD Story

Albertans wondering how the Fort McMurray region will achieve a sustainable future now have a clear answer: the Lower Athabasca Regional Plan (LARP), a roadmap for sustainable development over the next 50 years. The plan sets strict environmental limits, establishes new conservation areas, provides certainty to industry and offers numerous recreational opportunities in this beautiful north-eastern region of our province.

The plan's approval on September 1, 2012 marked a significant milestone in the history of Alberta and ESRD. It's also a major example of what happens when people work together for a common purpose.

"The creation of LARP took three years and hundreds of hours of meetings, discussions and working groups with staff, stakeholders, Aboriginal leaders, and municipalities," says Scott Milligan, Director of the Land-use Framework Branch.

"It required significant collaboration to develop the plan, and that's an accomplishment in itself," said Milligan, who added the next step – implementation – will also require Albertans, communities, governments and industry to work together.

The plan's approval means the province now has a template for other big-picture planning documents to be rolled out under Alberta's innovative Land-use Framework. In total, seven plans will be created for the seven regions, which encompass the seven major watersheds of Alberta.

LARP sets limits for air and surface water quality, as well as triggers – or early-warning signs – to alert regulators when pollution levels are getting close to these limits. When a trigger is exceeded, a management response must occur, as outlined in the management framework.

For the first time, we have in LARP a framework for balancing development with environmental and wildlife protection through the lens of cumulative effects. The plan takes into account the combined impacts of human activity and sets the environmental outcomes we want to achieve.

"Air and water do not respect our administrative boundaries in Alberta," says Milligan. "Whether it's private land, public land, municipalities or parks, we now have a plan in place to guide decisions we are making about land use in that region. If we need to address issues, we have a framework to do so." The outcomes defined by the plan include:

- Optimize economic potential of oil sands resource;
- Diversify the region's economy;
- Manage landscapes to maintain ecosystem function and biodiversity;
- Manage air and water to support human and ecosystem needs;
- Develop infrastructure development that supports economic and population growth;
- Enhance the quality of life of residents through increased opportunities for recreation and active living; and,
- Include Aboriginal peoples in land-use planning.

Performance Measures for the following goal:

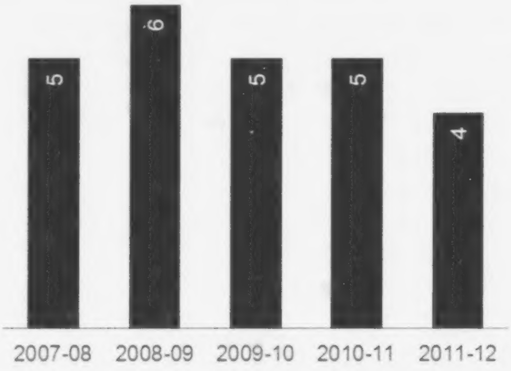
Environmental outcomes are achieved through the use of effective risk-based policies, processes and infrastructure.

River Water Quality Index

The River Water Quality Index measures the water quality of six major Alberta rivers at key sites based on monthly data on four groups of variables (metals, bacteria, nutrients and pesticides), which are combined to provide an indication of overall water quality.

Target
Six out of six rivers systems have 'good' to 'excellent' water quality

Figure 1
River Water Quality Index
('good' to 'excellent' water quality)



Results Analysis
In 2011-2012, four out of six river systems assessed as part of the Alberta River Water Quality Index demonstrated 'good' to 'excellent' water quality. This is below the target. Various natural and human factors, including flow volume, degree of development in the basin, point source effluent discharges, and nonpoint source runoff (e.g., from agricultural fields), can influence the River Water Quality Index.

April water quality sampling in the North Saskatchewan River coincided with a period of substantial snow melt. Resulting nonpoint source runoff likely contributed bacteria, nutrients, and pesticides to the river, leading to guideline exceedances for these contaminants and a rating of 'fair' at the downstream North Saskatchewan monitoring station. Similarly, July sampling on the Peace River coincided with a period of elevated stream flow, linked to rainfall in the region. In this case, nonpoint source runoff likely caused elevated levels of nutrients, metals, bacteria, and pesticides in the river. Guideline exceedances led to an Index rating of 'fair' for the downstream monitoring station on the Peace River.

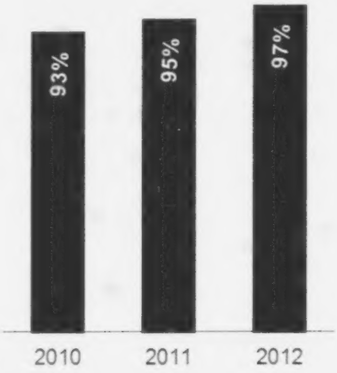
The Alberta River Water Quality Index examines a very broad range of water quality parameters, many of which tend to fluctuate over time. Hence, a small level of inter-annual variability in Index ratings is expected and typically observed.

Air Quality Index

The Air Quality Index measures the quality of Alberta's air based on five major pollutants: carbon monoxide, nitrogen dioxide, ozone, sulphur dioxide, and fine particulate matter – $PM_{2.5}$

Target
'Good' air quality days 93% of the time

Figure 2
Air Quality Index
(percentage of good days)



Results Analysis

In 2012, Alberta had 'good' air quality days occurring 97 per cent of the time. Air quality is influenced by a number of factors including vehicle emissions, weather patterns, wildfires and intensity of industrial development. Relative to 2010 results, there was lesser frequency of both wintertime smog and forest fire activity. Relative to 2011 results there was lesser frequency of wintertime smog, forest fire, and springtime ozone activity.

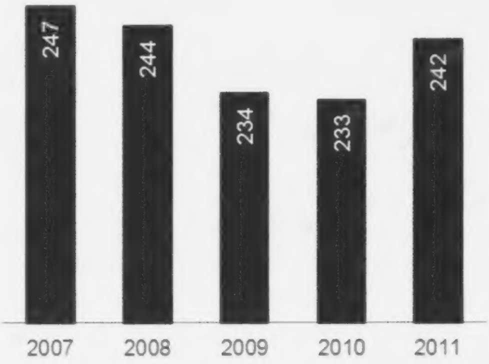
The 2012 results also reflect the new monitoring technology for total $PM_{2.5}$ concentration implemented at air monitoring stations across Alberta starting in 2010. The initiative is part of improvements being made to the National Air Pollution Surveillance network across Canada. As of 2011, a further two stations were upgraded and one was decommissioned in order to be relocated. In 2012, one more station was upgraded, but two suffered equipment reliability issues, and did not meet the data completeness requirement.

Total Greenhouse Gas Emissions

Measures the total greenhouse gas emissions in million tonnes of CO_2equivalent, as outlined in *Alberta's 2008 Climate Change Strategy*.

Target
246 million tonnes

Figure 3
Total Greenhouse Gas Emissions (million tonnes)



Results Analysis

The results for 2011 reflect higher overall emissions relative to previous periods. This is largely driven by the enhanced production of petroleum resources for export markets. Key factors contributing to the more recent increase in emissions include an uptake in oil and gas activity and an increased demand for industrial output when compared to 2010 emissions for the province of Alberta.

Drinking Water Safety Indicator[1]

The Drinking Water Safety Indicator measures the ability of regulated facilities to provide quality drinking water to Albertans. The indicator is comprised of three sub-measures that measure the performance of the program:

Facility Design Standards
The percentage of facilities required to meet newer performance standards (1997 or 2006, as applicable).

Facility Operational Requirements
The percentage of inspected facilities in compliance with regulatory requirements that prevent water quality incidents.

Drinking Water Quality
The percentage of facilities that did not have significant drinking water quality incidents.

Targets

- Facility Design Standards: 96%
- Facility Operational Requirements: 96%
- Water Quality: 97%

Figure 4
Drinking Water Safety Indicator
(percentage of facilities required to meet
newer performance standards)

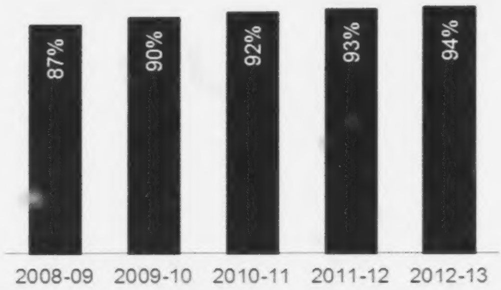


Figure 5
Facility Operational Requirements
(percentage of facilities in compliance with operational requirements)

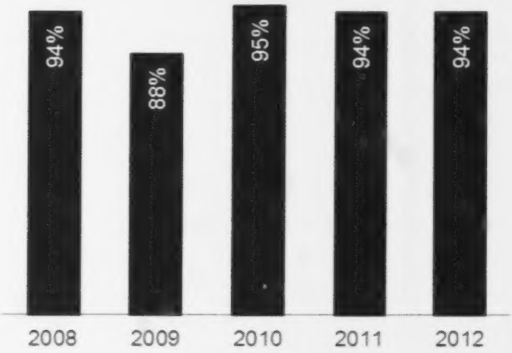
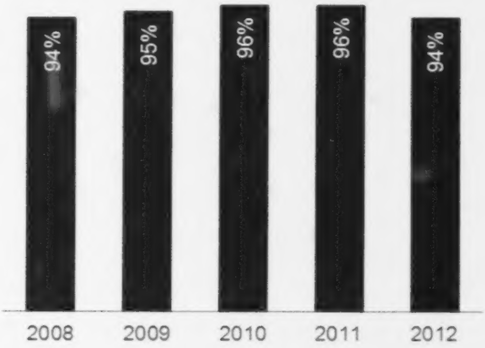


Figure 6
Drinking Water Quality
(percentage of facilities without major water quality incidents)



Results Analysis

Results show continued improvement in the infrastructure of regulated drinking water facilities. The results also indicate the percentage of facilities in compliance with operational requirements continued at the same level. Program elements such as abatement, education and enforcement continue to address facility operation challenges and water quality events.

Note 1: Data does not include waterworks facilities at industrial sites. The methodology for Facility Operational Requirements and Drinking Water Quality has been enhanced in 2011-12. Historical results have been restated under the new methodology.

Facility Design Standards

In 2012-2013, 94 per cent of regulated systems had treatment technology that is required to meet newer facility performance standards. This is an improvement in water quality technology at one per cent of facilities over the previous year. Although this was slightly less than the projected target of two per cent improvement, an assessment project completed at the end of 2011-2012 indicated that a significant number of facilities are able to meet new performance standards requirements, which would meet or exceed next year's targets. These requirements will be implemented during 2013-2014. The remaining facilities are required to meet an older performance standard and will require upgrading over time.

Facility Operational Requirements

Compliance with facility operational requirements remained steady in 2012, with 94 per cent of facilities satisfactorily meeting operational requirements. These results are near the projected level of compliance of 96 per cent the department expects to maintain. Various initiatives, such as abatement and compliance education, have been continued to assist facility operators in complying with operational challenges to increase compliance.

Drinking Water Quality

In 2012, 94 per cent of facilities operated without any significant water quality incidents. Where incidents did occur, advisories were issued where necessary, and ESRD staff assisted operators in addressing the problems. The result was lower than the target and the previous year's, largely due to post-treatment quality concerns which do not pose immediate water safety issues. The number of actual treatment upsets with advisories remained similar to previous years. Continuous improvement in upgrading facilities and addressing the operational challenges are expected to further mitigate water quality incidents in the future.

Performance Measures for the following Goal:

Integrated policy and planning guide sound stewardship of Alberta's public lands and renewable natural resources.

Rangeland Sustainability

The percentage of grazing leases in good standing and helps determine the ecological sustainability of public rangeland

Target

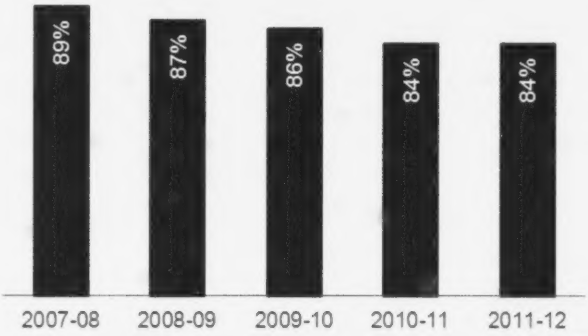
Rangeland Sustainability

Figure 7

90% (percentage of grazing leases in good standing)

Results Analysis

The target is set to encourage and implement good stewardship practices and sustain the rangeland resource. Below target results are due to the overall decline in the livestock industry, which has impacted compliance responses as producers who experience difficulties reduce and sell herds and have difficulty fulfilling lease requirements.



Forest Sector Compliance

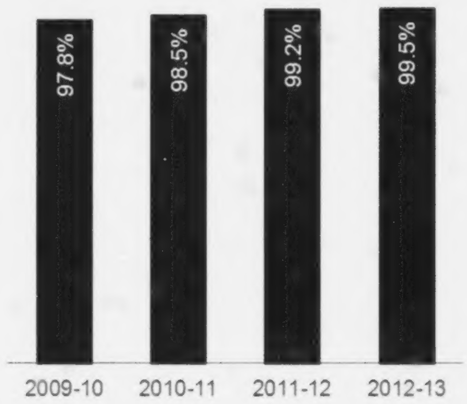
The percentage of industry compliance with standards

Target
100%

Results Analysis
This measure strives for 100 per cent compliance. While it is difficult to achieve perfect compliance across the province, the ministry continues to work with the forestry industry to encourage responsible work ethics that observe industry standards and demonstrate strong levels of compliance. Results show compliance is high and only deviates slightly from the target.

As a new measure, it currently has only four years of information making variance measurement difficult. It can be noted that the level of compliance is maintained at a high level and has improved from 2009-10 to 2012-13. For 2012-13, compliance rate is 99.5 per cent, a slight increase of .3 per cent from last year's 99.2 per cent.

Figure 8
Forest Sector Compliance
(percentage of industry compliance with forestry standards)

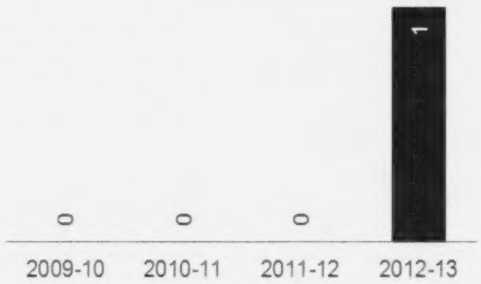


Land-use Framework

The number of Regional Plans approved by Cabinet

Target
1 each year in 2012-13, 2013-14 and 2014-15

Figure 9
Land-use Framework
(number of regional plans approved by Cabinet)



Results Analysis
The ministry's performance measure target of one regional plan being approved by Cabinet within 2012-13 was met, with the Lower Athabasca Regional Plan (LARP) coming into effect September 1, 2012. The development of this first regional plan included a process that engaged more than 10,000 Albertans over three years. With the government's goal of completing the regional plans in a tighter timeframe of 2013-2015 being announced in May of 2012, the Land Use Secretariat has since streamlined and updated the regional planning process, and identified a number of requirements and process improvements in order to ensure the success of completing the regional plans within this timeframe. Attention has turned toward implementing LARP and developing the remaining six regional plans under the Land-use framework, beginning with the South Saskatchewan Regional Plan and followed by the North Saskatchewan, Lower Peace, Upper Peace, Upper Athabasca and Red Deer Regional Plans

Alberta's public lands and renewable natural resources provide economic, environmental and social benefits for Albertans

Sustainable Resource Development
Business Plan 2012-15

Environmental outcomes are established and achieved through Albertans, communities, governments and industry working together

Environment and Water
Business Plan 2012-15

Accomplishments:

Improved Monitoring

Joint federal and provincial oil sands partnership: Developing a world-class monitoring system to measure the environmental effects of oil sands development has been a priority for the Government of Alberta and the Government of Canada. The Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring (JOSM) was released in February 2012.

This year, the department worked with the federal government on the implementation of JOSM plan. The joint plan is designed to understand and respond to the long-term, cumulative effects of oil-sands development, rather than look at the impacts of a particular project in isolation. Efforts during this first year of implementation focused on improving scientific validity of monitoring data and enhancing monitoring – including increased frequency of monitoring for more substances at more locations. The outcome will be better reporting on the state of the environment and a deeper understanding of the cumulative impact of activity in the region. Facility specific compliance monitoring will continue to be done by industry. Projects completed or underway:

- A tailings pond pilot project to apply various cost-effective and continuous monitoring technologies and test their feasibility for tailings ponds emission measurement;
- An Enhanced Deposition Study which measures air pollutants that falls to the earth in the Athabasca Oil Sands Region. Results from this study will help design protocols for monitoring and will also develop a baseline to measure the impacts of future development on the oil sands region;
- A remote sensing project with Environment Canada where remote sensing is being used to monitor air pollutants such as nitrogen dioxide and sulphur dioxide from oil sands operations. Remote sensing data will be available in 2013-14;
- An initiative under the general direction of the Integrated Resource Management System to ensure that the Environmental Monitoring Agency will support the management frameworks of the regional plan with the necessary measures; and
- Several new air and water monitoring stations are now in place to increase monitoring of air emissions and the water quality of the Athabasca River respectively.

The department created a mechanism to directly collect JOSM funding from industry members in the region – up to $50 million annually for environmental monitoring. This mechanism enables Alberta to offset costs associated with the JOSM program with the funds collected. Amendments to the *Environmental Protection and Enhancement Act* have been effected to enable the funding mechanism for environmental monitoring activities in the oil sands area.

Frameworks

Lower Athabasca Regional Plan: The Lower Athabasca Regional Plan (LARP) came into effect September 1, 2012 following a process that engaged more than 10,000 Albertans over three years. Frameworks developed under LARP include the Air Quality Management Framework, Surface Water Quality Management Framework and Regional Groundwater Management Framework. Attention then turned toward developing the remaining six regional plans under the Land-use Framework, beginning with the South Saskatchewan Regional Plan and will be followed by the Lower Peace, Upper Peace and North Saskatchewan Regional Plans (see story on page 25).

South Saskatchewan Regional Plan: Only 12 per cent of Alberta's land base is in the South Saskatchewan region, yet, it supports about 45 per cent of the province's population. The South Saskatchewan Regional Plan will provide a framework for sustainable growth and development in this vital region in the coming decades.

This is the second of seven regional plans to be developed. A second round of consultations began in November to give Albertans an opportunity to provide input into the plan's development. This phase of consultation sought comment on the recommendations by the Regional Advisory Council. The council advised on content for regional planning in the context of the relationship between water, population growth, economic development and land conservation - a requirement of all regional plans. The draft plan is currently being developed and will undergo public and stakeholder consultation in 2013. Cumulative effects management frameworks for air and water quality are a commitment in the plan terms of reference.

North Saskatchewan, Upper Peace, Lower Peace, Upper Athabasca and Red Deer Regional Plans: Significant work was accomplished in preplanning these regional plans.

Land-use Framework conservation and stewardship tool – conservation offset: ESRD, along with Agriculture and Rural Development and other partners began to explore conservation offset market design options for a multi-year pilot project in south-eastern Alberta. The conservation offset pilot project is aimed at enhancing native prairie habitat for wildlife and those species at risk in this area of the province. A conservation offset is a tool that enables industry to offset adverse effects of their activities and development by supporting conservation efforts on other lands.

Capital Region Air Quality Management Framework: Air emissions in the capital region come from a variety of sources, including urban, agricultural, industrial, natural, and individual activities. The main air contaminants of concern are nitrogen dioxide, sulphur dioxide, fine particulate matter, and ground level ozone. Released in June 2012, the Capital Region Air Quality Management Framework draws from existing regulations to set air quality levels for nitrogen dioxide, sulphur dioxide, particulate matter and ozone. Triggers and limits work on a four-level escalating approach, with the framework offering a suite of management response options for each level. The framework is the outcome of collaborative efforts and shared responsibility for action among various stakeholders, including industry, municipalities, environmental non-governmental organizations, airsheds, and federal and provincial governments. It is a sub-regional plan that will inform the North Saskatchewan Regional Plan.

Surface Water Quality Management Framework: This framework was finalized in August 2012, as a part of the Lower Athabasca Regional Plan. It identifies ambient triggers and limits to protect surface water quality, clarifies Government of Alberta expectations, addresses cumulative effects, and supports pollution prevention and proactive management strategies. In addition, it provides transparency and assurance through regular monitoring, evaluation and reporting on ambient surface water quality conditions within the Lower Athabasca River, from downstream of the Grand Rapids to the Athabasca River Delta.

Groundwater Management Framework: This framework was also developed in August 2012 for the Lower Athabasca Regional Plan. The framework:

- Establishes the baseline groundwater conditions and range of natural variability in the Lower Athabasca Region to facilitate enhanced knowledge and detection of change;
- Provides a consistent approach to understanding potential effects from all development activities on the surrounding environment;
- Facilitates projections of change based on future scenarios, such as expanding development or climate variability and change; and
- Supports and supplements the current pollution prevention and risk management principles as part of groundwater quality and quantity management.

Assessing Our Wetlands

Wetlands classification system: Wetlands are nature's way of filtering and purifying water; they also provide far-ranging environmental benefits. Wetlands data for more than 90 per cent of the province's geography was brought together this year and merged into one database. The inventory consolidates all previous and current data into a consistent format that meets the standards of the Canadian Wetland Classification System. Having the information in one place and classified in a standardized way helps inform scientists, decision makers and the public, making clear and credible data available to guide regional-scale planning.

This effort not only meets the goals originally set out in the 1993 Interim Wetland Policy (Wetland Management in the Settled Area of Alberta) and restated in the 2009 *Water for Life*: ***Action Plan***, but is an example of how the new department works better together by integrating our environmental data.

Managing Forest Fires

FireSmart and other strategies: Wildfires are part of a healthy ecosystem. Wildfires purge the forest of old trees that become more susceptible to disease and insect infestation. Wildfire management programs help prevent the spread of plant diseases; assist in protecting our infrastructure and natural resources; help to ensure a sustainable supply of timber; and work to protect the health of our watersheds, sensitive soils and Albertans living in forest communities.

The FireSmart program, which provides funding for projects designed to lessen the risk of uncontrolled forest fires, is one of the ways the department practices effective and preventative wildfire management. Sixteen grants totaling $500,000 were made available in 2012-13 through this program. FireSmart promotes fire controls such as tree thinning, public education, training and emergency management and includes the added resources required to fight wildfires.

ESRD updated the department's strategy and priorities for community protection, reviewed the internal wildfire management standard operating procedures and started the 2012 wildfire season one month early, with 100 additional fire-fighters trained for duty.

Alberta's 2012 wildfire season saw 1,555 fires burn over 377,000 hectares - more than five times the size of Calgary and approximately 400 more wildfires were recorded in 2012 than 2011.

A success story for prevention: Zama City, a northern Alberta community threatened by a wildfire in the summer of 2012, benefited from FireSmart projects already in place. The wildfire, which was ignited by lightning, burned out of control for nearly two weeks, destroying approximately 134,000 hectares of forest before being contained. At its height, the wildfire also triggered an evacuation of approximately 300 people living in the area. Although the wildfire did not reach Zama City itself, provincial government firefighters and local officials say community protection was enhanced by FireSmart projects completed since 2007. The fire lines completed in 2009 provided anchor points that allowed firefighters to move quickly to mobilize heavy equipment.

Keeping Our Forests Healthy

Forest Health Program: Under this program, ESRD actively monitors and manages Crown land for prohibited noxious weeds and other invasive species. During the last year, the department mapped 117,340 hectares of spruce budworm defoliation and 629,108 hectares of aspen defoliation, most of which was caused by the forest tent caterpillar. In addition, the department mapped 42,238 hectares of drought damage, 7,100 hectares of red belt and storm damage, and 613 hectares of flooding.

The Forest Health program strives to lead Canada in proactive, adaptive and innovative management of damaging forest health agents. The department is co-leading a recovery plan for the whitebark pine, which was listed as an endangered species in Alberta in 2010 and by the Government of Canada in 2012. Up to one-third of the whitebark pine in Alberta is infected with the invasive white pine blister rust. Whitebark pine is a keystone species in the alpine environment that provides soil stabilization and important food resources for grizzly bears, squirrels and birds such as the Clark's nutcracker.

Forest sustainability: All forested public land in Alberta is managed according to the principles of sustainable forest management. This means that Alberta's forests are managed to maintain and enhance the long-term health of forest ecosystems, while providing ecological, economic, social and cultural opportunities for present and future generations.

As part of on-going due diligence, the department completed adjustments to the annual allowable cut levels across seven Forest Management Units last year to reflect changes taking place on the landscape. As a result, eight forest companies saw their harvest levels adjusted to reflect the loss of merchantable timber due to wildfire.

Forest industry sustainability: Two forest management agreements were renewed by Order in Council in 2012-13. As a result of these approvals, and adjustments to the annual allowable cuts, more than 90 coniferous quota and deciduous timber allocations were renewed for 20-year terms. The department also continued work on the rollout of the Alberta Forest Products Roadmap, a collaborative initiative with the forest industry to make the province's forest sector the most successful in North America. There were 12 meetings in forestry-dependent communities across Alberta to review and discuss the roadmap. This culminated in a forest industry and panel session with the Minister at the 2013 Grow North Conference in Grande Prairie. There were six wood product missions to Asia, including three to China and one each to Japan, Korea and Taiwan (see story on page 40). A number of market promotion materials were developed for each of these countries and have been deployed to respective trade offices to provide information to trade office visitors.

Reforestation: Reforestation success is monitored through the Alberta Regeneration Information System, a critical tool to help ensure that the department is upholding its stewardship obligation to Albertans. Annual forest management statistics are also posted on the ESRD website to provide public access to this information.

Field data collection: Data from a network of sample plots first established in the 1960s provides the primary source of empirical information for forest growth model development in Alberta. As part of continued measurement and maintenance of these sample plots, in 2012-13 the Forest Management Branch oversaw the re-measurement of 65 permanent sample plots.

The Forest Management Branch also undertook the measurement of 590 temporary sample plots in a number of forest management units in the Grande Prairie and Hinton areas. These measurements will provide data necessary to derive forest yield estimates specific to these units, in support of timber supply analysis and forest management planning.

The Provincial Growth and Yield Initiative reflects the department's contribution to a relatively new collaborative effort within the province. Designed in conjunction with the Alberta Forest Growth Organization, the primary objective of the program is providing data for continual improvement of forest growth models. Development and design of this initiative is an on-going process.

Invasive Species

Mountain Pine Beetle: Mountain Pine Beetles (MPB) poses a serious threat to Alberta's forest resources. Left unmanaged, they could devastate Alberta's pine forests and spread eastward across Canada's boreal region. The department allocated $40 million from the Environmental Protection and Enhancement Fund for surveying and control activities of MPB infestations, as well as rehabilitation for beetle-killed areas. The department advertised and awarded 38 survey and control contracts for the 2012-13 beetle season in the Smoky, Woodlands, Foothills, Lesser Slave forest areas. There were 9,400 sites surveyed and more than 97,000 trees controlled.

Through the Forest Resource Improvement Association of Alberta (FRIAA), the department supports industry involvement in meeting its MPB program goals. FRIAA members can apply to the program to conduct MPB management activities on the land base, such as survey and control, log yard management, and regional planning.

The program also supports municipalities affected by MPB through grants that fund operational survey and control programs on municipal and private land. The department partnered with Tree Canada to develop a program for residents and municipalities to help offset the cost of replacing MPB killed trees on private residences, small acreages and municipal lands. The program has been fully subscribed since its launch in 2009.

ESRD-funded research projects in MPB include impacts to hydrology and understory vegetation, prescribed fire and effects on beetle population and regeneration under MPB killed stands.

Alberta works closely with other provinces and territories, and joint monitoring programs have been put in place with the Northwest Territories and Saskatchewan to track the beetle's movement east and north. Joint control plans have also been developed to slow the spread east. This year, Saskatchewan contributed $450,000 towards the MPB survey and control program.

Rehabilitation after Mountain Pine Beetle: The beetle continues to threaten the pine forests in western Alberta and rehabilitation efforts are underway to manage the impact this infestation is having on ecosystem functioning.

Rehabilitation funding provides for basic and applied ecology research as well as activities to rehabilitate forests destroyed by the beetle where timber harvesting is not feasible. The work is being administered through an agreement with the Forest Resource Improvement Association of Alberta. The department increased seed collection to enhance inventory for areas hardest hit by the beetle. Efforts from this initiative yielded 500 kilograms of seed that will generate more than 41 million new seedlings, enough to reforest about 30,000 hectares of new growth.

ESRD completed an extensive aerial photography campaign to capture high-resolution images of forested areas destroyed by MPB that the forest industry was unable to harvest. These images will be used to set priority rehabilitation areas based upon the level of live trees remaining and known local forest values at risk including water quality, wildlife habitat, and threat of wildfire. This information will assist the department to target areas that will have both the highest chance of successful rehabilitation and where active treatment will best enhance forest ecosystem functioning.

Aquatic and weed species: Mussel infestations pose significant threats to native fish and wildlife species, the fishing and tourism industry, water operated infrastructure, and the agricultural industry. Other invasive and unwelcome guests are Eurasian watermilfoil and Didymo. ESRD initiated discussions with numerous partners, including the Alberta Water Council, to plan how to prevent aquatic invasive species such as quagga and zebra mussels from infesting Alberta waterways. The department also continued to work with several water and plant councils to promote the control of invasive weeds, such as Purple Loosestrife, Flowering Rush, Himalayan Balsam, Common Tansy and Scentless Chamomile.

Other Achievements

Fishing

Bow Habitat Station Trout Pond: Bow Habitat Station fosters an awareness and appreciation of Alberta's fish, wildlife, water and aquatic ecosystems. Through engaging programs and services, Bow Habitat Station is quickly becoming a sought-after attraction for schools, youth groups and other visitors. In 2012-13, over 19,000 people explored the Discovery Centre and toured the Sam Livingston Fish Hatchery; almost doubling the numbers of visitors from the year prior.

The Kids Can Catch Trout Pond opened in July 2012 and during the first season over 3,000 people enjoyed catch and release fishing while learning how to support sustainable fisheries.

Other youth education programs delivered include the Fish in Schools Program, which expanded its enrolment in 2012 to almost 1,800 students provincially. Situated near the Bow River in Calgary, over 21,000 people attended community outreach initiatives. Bow Habitat Station strives to educate and inspire a stewardship ethic in all Albertans and create champions for the responsible use of Alberta's natural resources and landscapes.

Sport Fishing in Alberta: Sport fishing is a popular activity in Alberta according to a national survey, released in March 2012 for the year 2010. Licensed anglers participated in the survey, which is titled Sport Fishing in Alberta 2010. ESRD helped coordinate the survey in conjunction with the Department of Fisheries and Oceans. The survey revealed Alberta had the third highest number of fish caught among the provinces and was also one of the lowest harvest jurisdictions in Canada. The fishing participation rate for Alberta was among the top four provinces - a notable ranking, since Alberta has approximately 1,000 fish bearing lakes, fewer than many other jurisdictions.

Construction of redesigned Calgary weir completed: Construction of a redesigned Calgary weir was completed in 2012. The new design mitigates the risks of the old weir, while offering recreational users a greater variety of experiences. The weir continues to serve as an important source of water for southern Alberta residents, farmers and industry. The project was conducted in partnership with Parks Foundation Calgary, the Calgary Foundation and the City of Calgary.

Preventing bear conflicts near oil sands facilities: ESRD participated in several initiatives to reduce the conflict with wild animals near work camps and oil sands facilities. The Oil Sands Developers Group provided funding to hire additional fish and wildlife officers to respond to reported incidents and to carry out additional visits to sites. In addition, the group organized a spring workshop to help industry to

'BearSmart' their facilities to remove or reduce attractants, appropriately manage oils and garbage, improve awareness of employees in operating in these areas safely and other ways to improve work place safety. A further workshop was held in the fall to review the measures taken.

ESRD carried out further inspections of work camps and oil sands facilities to help bring greater awareness to operators and workers and address any compliance issues. Landfills were inspected and advice was provided to operators on how to reduce the attractiveness for bears in particular.

As a result of the various initiatives and the groups working together, there were a low number of incident reports and subsequent need for actions to address problem wildlife in 2012 in the oil sands region.

Ecosystem Management Emulating Natural Disturbance project: Understanding the long-term evolution of ecosystems is critical for managing Alberta's natural resources. The Ecosystem Management Emulating Natural Disturbance project (EMEND) helps provide that information. The project began in 1998 and is forecast to run for one stand rotation, or approximately 80-100 years, and is centered at the University of Alberta, in collaboration with numerous research agencies, the Government of Alberta, Government of Canada, and forest companies operating in northwest Alberta.

Award winning partnership - Evergreen Centre for Resource Excellence and Innovation: In 2012, an Emerald Award was given to the Evergreen Centre for Resource Excellence and Innovation in the outstanding community group category. Volunteer staff from ESRD shared this award with many other groups and industry organizations as an example of collaboration between government and industry. Located three kilometers south of Grande Prairie, the centre is a hub of research and experimentation showcasing innovative resource technologies and resource solutions applicable to the oil and gas industry. Past projects included winter tree planting research, innovative mulching for wood fiber roads and trenchless drilling technology demonstrating minimal impact of pipeline construction in a forest landscape.

Promoting Alberta on the world stage: Minister McQueen, along with Minister Cal Dallas of International and Intergovernmental Relations, completed an advocacy, trade and investment mission to Europe in January 2013. They met with government representatives, business leaders and media to share Alberta's ongoing commitment to strong, fair and transparent environmental policy in the context of the proposed implementation of the European Fuel Quality Directive. The focus of the mission was to maintain and enhance market access for Alberta's products and services.

During key discussions with state officials, Minister McQueen highlighted aspects of Alberta's approach to managing climate change, Alberta's integrated resource management system; Alberta's innovative land-use planning system that strives to balance the economic, environmental, social aspects of land use, and promotion of the province as a destination for responsible investment.

Minister McQueen also joined the Canadian delegation at the UN Climate Change Conference in Doha, Qatar, ensuring Alberta had a seat at the table in those important discussions. The international delegates met to negotiate a long-term, legally-binding agreement to better manage the growth of greenhouse gases by 2020.

While attending the Bloomberg New Energy Finance Summit in New York City, Minister McQueen participated in a session on water use in energy production and discussed how Alberta is balancing the needs of environmental protection and water security with energy production through its holistic, sustainable and collaborative water management system. During trips to Washington, D.C., Vermont and Maine, Minister McQueen met with US governors and state representatives to discuss Alberta's actions and commitment to global environmental leadership.

Rio +20 provided a platform for Minister McQueen to share Alberta's experience in the sustainable production of clean and secure energy. The global summit also created opportunities to engage with other national governments, stakeholders and environmental non-government organizations on clean energy and sustainability initiatives.

ESRD facilitated the signing of two Memoranda of Understanding with the Chinese provinces of Zhejiang and Jiangsu. The memoranda between Alberta Innovates – Technology Futures, ESRD and the Jiangsu Forestry Bureau and Zhejiang Forestry Bureau will foster a mutual understanding of the forest industry and encourage cooperation and exchanges in trade, investment, research while promoting Alberta forestry industry market development in China.

Rebalancing lines of business: With the proclamation of the *Results-based Budgeting Act* of 2012, ESRD, along with all ministries, participated in the results-based budgeting process. In 2012-13, department staff worked to understand and prepare for this process. A small number of programs were reviewed as part of the Economic Development and the Enterprise and Ministry Support Services lines of business.

In 2013-14, the majority of ESRD's programs and services will be reviewed as part of the Resource Management and Environmental Stewardship line of business, as well as Enterprise and Ministry Support Services.

ESRD in Ghana: Mary Metz leads the ESRD risk management office and in June 2012 she travelled to Ghana as part of a five-year commitment to share integrated risk management knowledge and expertise. For the second time in two years, Mary shared her expertise as the section head of Risk Management, teaching Ghanaian public servants about ESRD's risk management processes. Mary, accompanied by ESRD director Marilea Pattison Perry and three other Government of Alberta employees, met with 13 Ghanaian ministries and agencies and conducted two-day training workshops with 361 participants. This program is funded by the Government of Canada.

Supporting the Greening Government Strategy: ESRD together with Service Alberta, Infrastructure, and Treasury Board and Finance initiated government-wide activities focused on maintaining existing government-wide green initiatives, while continuing to build a stronger 'culture of green' among staff.

Asia Comes to Alberta's Neck of the Woods

An ESRD Story

Rory Thompson is a relationship builder who lives in the world of bio-investment and forest products innovation. As a senior manager for ESRD's Forest Industry Development Branch, he works as a team member to help connect all sectors of the forest industry with innovators of non-traditional wood products, while opening doors to new markets for traditional and non-traditional wood products.

Through the department's Forest Products Road Map initiative, building relationships is key to gaining competitive advantage in Asia. These days, the Forest Industry Development Branch is busy knocking on doors in China, Japan, South Korea, Taiwan and Vietnam to help create market opportunities for Alberta's forest industry.

"We are developing new forest product markets and meeting new trading partners by working directly with other governments, partners and stakeholders," says Thompson. "It's important for government representatives to be at the table, to show that we stand firmly behind our forest industry and our products."

Department experts make a point of meeting directly with Asian government agencies and wood buyers to determine interests and help to connect them with forest product companies in Alberta. "From there, we let business take care of business," says Thompson.

Over the past year, our accomplishments are many, including the signing of two Memoranda of Understanding with the Chinese provinces of Zhejiang and Jiangsu. We are currently expanding our role as facilitator between emerging innovators and established markets, including working with independent Alberta companies to connect with new and interested buyers in Asia. These successes are more than just expanding markets – what we're doing is establishing long-term relationships to share knowledge, expertise and products.

"Alberta's forest industry has historically been strong, successful and innovative," says Thompson. "We're proud to now have the opportunity to take this expertise and commitment to excellence and share our story – and products – with markets across the globe."

From Near Extinction to Flying High: Peregrine Falcon Makes a Comeback

An ESRD Story

Wildlife biologist Dr. Gordon Court is wild about birds – peregrine falcons to be exact. The current head of ESRD's Peregrine Falcon Recovery Program started his falcon career as a 16-year-old summer student, tasked with collecting eggs in one of the first breeding programs in North America. Three decades later, he is now a leading international expert on raptor research.

"I've had a fascination with raptors since I was a kid," says Court. "To me, peregrines were not only cool birds, they also had the added intrigue of being a threatened species that required protection – once I realized that we might lose them all, my interest in them increased significantly."

Peregrines are a sleek, compact and powerful bird of prey, with the ability to dive at nearly 400 kilometers an hour. Historically, peregrine pairs nested along the banks of most major rivers in Alberta, but starting in the 1960s, this species was on the verge of extinction across North America due to the cumulative negative effects of DDT pesticide.

Following widespread decline of peregrine falcons across North America, inventory surveys were established to determine the extent of the problem. Upon the completion of the first survey in 1970, only one single productive peregrine pair was found in Alberta.

Since that time, significant effort and research has gone into reestablishing this important species through multi-stakeholder breeding programs. Coupled with the banning of DDT in most parts of the world, these efforts are truly paying off. The Peregrine Falcon Recovery Program has enabled the steady reestablishment of the species to its longstanding habitat in Alberta.

"Peregrines are like a canary in the coal mine – they can't exist in the face of uncontrolled DDT pollution," said Court. "We won the battle to bring back the peregrine falcon because the ultimate problem – pesticide pollution – was addressed at its core." Today, the birds have been downgraded from endangered to threatened, with approximately 68 nesting pairs in the province.

One highlight of the recovery program during 2012-13 was the release of peregrines on the Pembina River. Minister McQueen was able to release five of these baby falcons into their new homes. The initiative was a collaboration between ESRD, Alberta Parks, local landowners and industry.

The opportunity came when a utility company decommissioned its power plant, taking with it a peregrine nest that had been active for 15 years. The utility company offered to kick-start a recovery project with a $25,000 gift; a competitor agreed to share the cost, allowing for some 30 birds to be released near Entwistle over the past two years.

Local landowners were integral to the project by allowing access to lands that sit over the cliffs of the Pembina River. Over the past two summers, falcon babies were kept in a box and fed daily, becoming habituated to the area before being released. The hope is that the birds imprint on the site and come back in subsequent years to use the area as a nesting place.

"The ultimate goal of the program is to see the species restored to viable, naturally self-sustaining populations within Alberta and removed from the endangered/threatened list entirely," said Court. "We are confident that continued support of programs like the Peregrine Falcon Recovery Program will help achieve that goal."

Performance Measures for the following Goal:

Alberta's public lands and renewable natural resources provide economic, environmental and social benefits for Albertans.

Economic benefit from Alberta's Public Lands

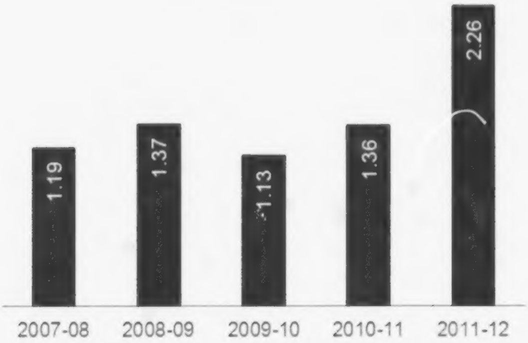
Measures the ratio of department revenue from dispositions to department expenditure on managing public lands and the ratio of Alberta government resource revenue to department expenditure on managing public lands

Targets

>1.00:1

Figure 10

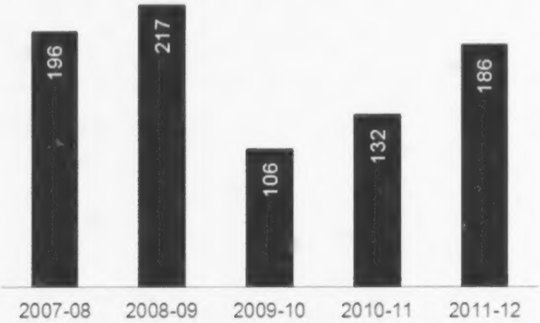
Ratio of Department Revenue from dispositions to department expenditure on managing public lands (1 to 1)



>100:1

Figure 11

Ratio of Alberta Government resource revenue to department expenditure on managing public lands (100 to 1)



Results Analysis

This measure was developed in an effort to illustrate economic benefits Albertans receive from managing public lands. This proxy measure is expressed by means of two ratios. One ratio looks at department expenditure compared to department revenue to show economic benefit derived from public lands within the ministry. The second ratio looks at department ratio as it relates to royalty revenues generated in Alberta.

In 2011-12 every dollar the department spent on managing public lands generated $2.26 in department revenue. When considering royalty revenue, every dollar spent on managing public land returned $186 to the Government of Alberta. The global economy has affected these results showing a gradual downward trend since 2006-07, however, results remain above targeted levels. Although Alberta has experienced fiscal challenges, the measure illustrates that managing the way industry invests in Alberta's resources has positive economic impacts. The results show an increase in both ratios which suggests that the economic climate is recovering in Alberta.

Sustainable Timber Harvest

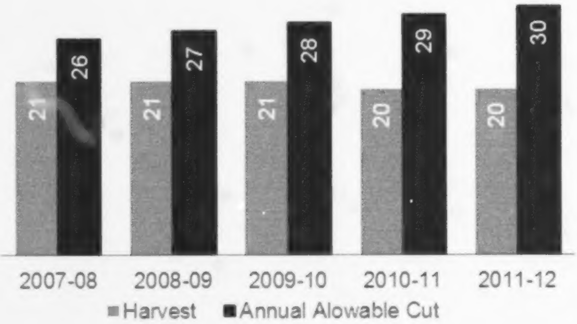
Measures Annual allowable cut and Harvest in million cubic metres

Target

Harvest does not exceed annual allowable cut

Figure 12

Annual allowable cut (million cubic metres)
Harvest (million cubic metres)



Results Analysis

The target was met and the 2011-12 results indicate the actual timber harvest (20 million cubic metres) was ten million cubic metres below the approved annual allowable cut (30 million cubic metres). Compared to the 2010-11 results there is a one million cubic metres increase in the gap between forest harvest and the annual allowable cut. Poor market conditions may have caused harvest levels to drop as the demand for commodity forest products diminishes.

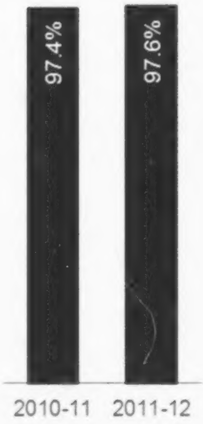
Alberta is also preventing further spread of the Mountain Pine Beetle in the Boreal Forest by targeting harvest towards forest stands susceptible to the Beetle. It is hoped that this will minimize the potential for loss to the forestry industry.

Healthy Forests: Rate of Regrowth[2]

Percentage of forest regrowth attained

Target
80%

Figure 13
Healthy Forests: Rate of Regrowth
(Percentage of forest regrowth attained)



Results Analysis

Measures the rate of forest regrowth following timber harvest to help ensure sustainability of our forest resources. Reforestation is required by law and adherence to Alberta's regeneration standards provides assurance of the continued flow of economic, social and environmental values that Albertans can expect from their forests.

For the 2010-11 and 2011-12 timber years, the per cent of forest regrowth exceeded the 80 per cent target. Forest regrowth rates have exceeded the target largely due to the effective silvicultural practices used in reforesting harvested areas. Actions such as prompt reforestation activities following harvesting and better early seedling growth resulting from more appropriate site preparation, enhances early seedling establishment and growth. Additionally, conservative re-growth rate targets have historically been assumed given poor young forest forecasting techniques. Successful forest management, and selection and application reforestation techniques have resulted in vigorously regenerating young forests.

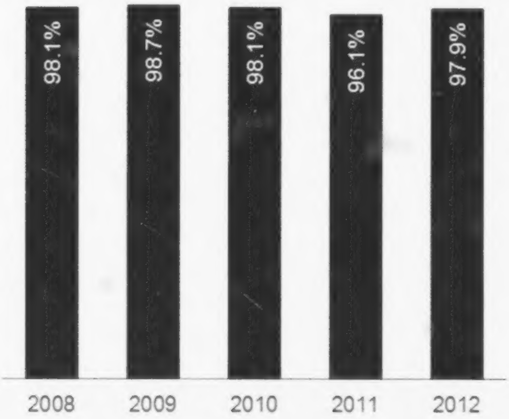
Note 2. The 2010-11 value was reported in the 2011-12 Annual Report as 96.3 per cent. Using revised calculation methodology, the actual for 2010-11 is 97.4 per cent.

Healthy Forests: Wildfire

Percentage of wildfires contained before 10 a.m. the day following detection

Target
97.6% (average of previous five years' results)

Figure 14
Healthy Forests: Wildfire
(percentage of wildfires contained before 10 a.m. the day following detection)



Results Analysis

The target for this measure has been stated as a 5 year rolling average to account for random environmental factors causing fluctuations in the measure. The result reported in 2011 was 96.1 per cent; target of 97.7 per cent was not met. The current 2012 containment percentage was 97.9 per cent; target was met at 97.6 per cent. Actual results for the current reporting year increased slightly.

This performance measure is subject to variance due to a number of independent factors inside and outside the scope of human control. These factors include lightning strikes, amount and type of fuel, moisture levels, human causes, wind conditions, resources available for fighting fires, and fire behaviours. Each fire season is characterized by unique conditions which results in differing levels of fire outbreaks in the province.

During the 2011 fire season (2011-12 fiscal year) due to a number of very large out of control wildfires in the Slave Lake region of the province, results for containment fell below target. Despite this, the variance remained within +/- 3 per cent.

During the 2012 fire season (2012-13 fiscal year) overall containment results were below the rolling target level and within normal levels of variance.

Healthy fish and wildlife – Participation and Stewardship

Measures the percentage change in fishing and hunting licenses in the province and measures the percentage of change in anglers and hunters under 18 years of age in the province

Target

≥Rolling average of last five years results

Figure 15

Healthy Fish and Wildlife: Participation (percentage change in fishing licenses and hunting licenses)

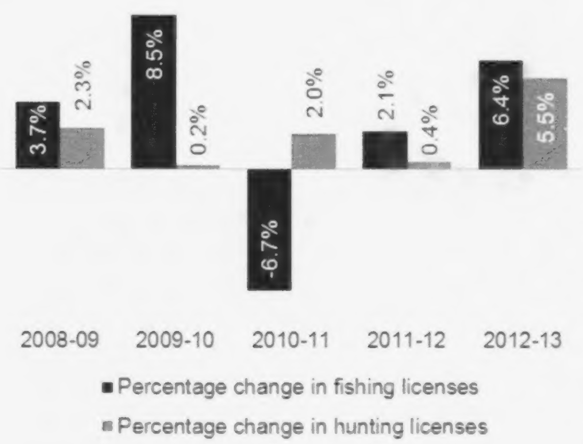
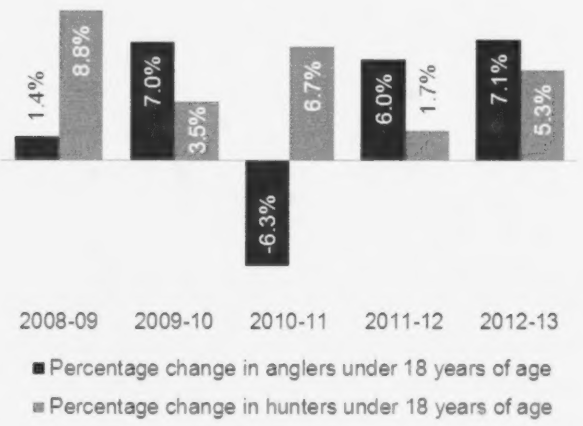


Figure 16

Healthy Fish and Wildlife: Stewardship (Percentage change in anglers and hunters under 18 years of age)



Results Analysis

An increased participation in hunting and fishing activity was expected for 2012-13. Hunting and fishing activities are strongly tied to the weather patterns hence the lower than expected turn out in anglers and hunters in 2011 was attributed to the long cool winter conditions that spread into the spring. In 2012, hunting and angling realized continued participation as manifested in the increase in the number of licenses purchased.

The percentage change in hunting and fishing populations demonstrates both positive and negative fluctuations depending on economic and meteorological factors. Generally speaking the number of hunters and anglers in Alberta has shown consistent gradual growth since 2006-07.

Healthy fish and wildlife: Populations - Percentage of species at risk[3]

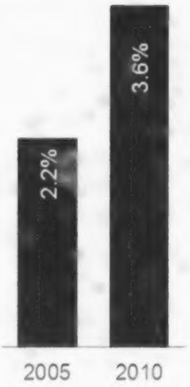
Measures the percentage of species at risk in the province

Target

<5%

Figure 17

Healthy Fish and Wildlife: Populations (Percentage of species at risk. Next results will be in 2015)



Results Analysis

The target for this measure was met. Due to the length of time between reporting (once every five years) and the small number of data points available in the timeline, it is difficult to accurately pinpoint the future trend. Therefore the target was set at less than or equal to five per cent. As more data is collected for this performance measure, the trend will become more apparent.

Taxonomic considerations: On very rare occasions, a species may be split into two new species. Or, in past exercises different sub-species were reported as full species (eg. Wood Bison and Plains Bison are now just reported as one species, Bison).

New species found in Alberta (e.g. a vagrant bird species is added to the list of birds in Alberta after having been verified by the Alberta Rare Bird Committee). Despite these rare situations, most of the percentage change will be caused by actual change in the number of species listed as At Risk. As in previous years, this measure will be expected to grow by a small amount because of continued work by the Alberta Endangered Species Conservation Committee who assess the status of species and make recommendations on status to the Minister of ESRD. In 2010, we reported that 16 of 582 or 3.6 per cent of vertebrates species in the province are At Risk. This rate is higher than the 2.2 per cent reported in 2005.

Note 3: Data for species at risk population is generated every five years. Next results will be in 2015.

Performance Measures for the following Goal:

Environmental outcomes are established and achieved through Albertans, communities, governments and industry working together

Municipal Solid Waste to Landfills[4]

The amount of municipal solid waste sent to landfills indicates Alberta's progress toward reducing the annual amount of municipal solid waste disposed in landfills as measured in kilograms of waste per capita per year.

Target

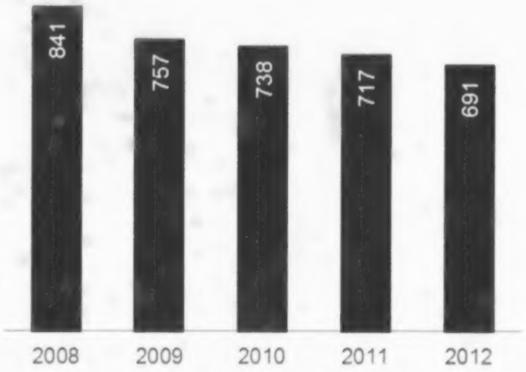
675 kilograms per capita

Results Analysis

Municipal solid waste disposed in landfills decreased from 717 kilograms per capita in 2011 to 691 kilograms per capita in 2012. A number of factors can influence this measure including the overall state of Alberta's economy. Innovative approaches will be necessary in the coming years to reduce the amount of waste disposed in Alberta landfills, particularly on high volume waste streams such as organics, packaging and printed materials, and construction and demolition waste.

Figure 18

Municipal Solid Waste to Landfills (kilograms per capita)



Note 4: Historical result has been revised to correct an insignificant misstatement due to a formula error.

Personal Engagement Indicator

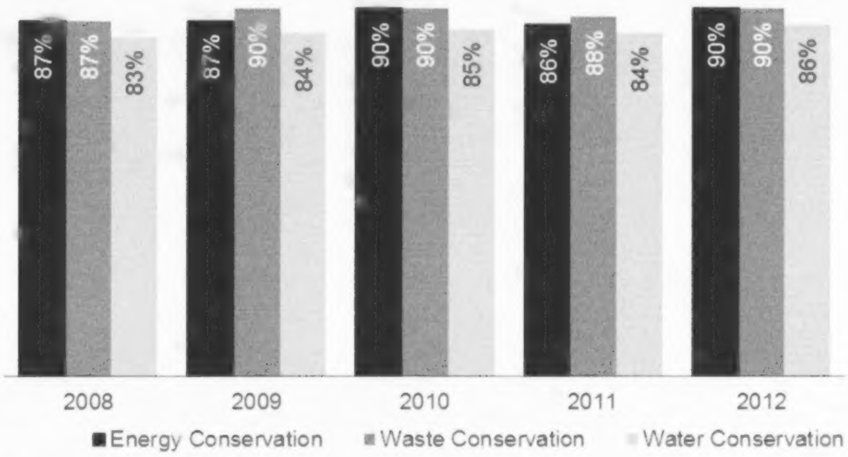
Personal Engagement Indicator measures the percentage of Albertans who describe themselves as actively engaged in energy, waste or water conservation.

Target

- Energy Conservation: 86%
- Waste Conservation: 88%
- Water Conservation: 84%

Figure 19

Personal Engagement Indicator (percentage of Albertans who describe themselves as actively engaged)



Results Analysis

In 2012, the percentage of Albertans describing themselves as actively engaged in energy, waste and water conservation increased over last year. Media releases regarding energy issues may have increased awareness and led to an increase in personal engagement in energy conservation. There were no new initiatives for water or waste in 2012, though personal engagement may have increased due to on-going Water for Life Action Plan activities and on-going activities through Waste Reduction Week, a Canada-wide initiative.

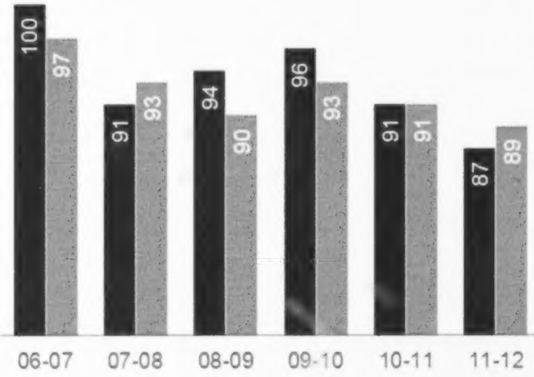
Performance Measures Data Sources and Methodology

River Water Quality Index

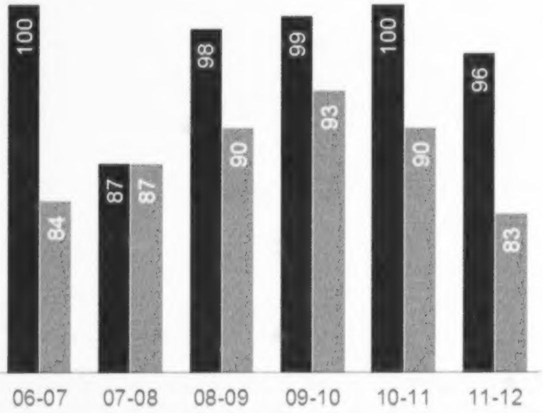
The River Water Quality Index is used to evaluate water quality in Alberta's major river systems with respect to four groups of variables – metals, bacteria, nutrients and pesticides during the fiscal year. Data from these four groups are combined to provide an indication of overall water quality. ESRD has chosen to report on river water quality rather than lake water quality because the effects of human activities are generally more diverse and easier to measure in rivers than in lakes. The index can be used to show relative differences in water quality between rivers, between sites on the same river (e.g., upstream and downstream of developed areas), and over time. Such differences can highlight degradation or improvement that may have a human cause.

The majority of index values show no stable trends in water quality over time. In 2011-12, water quality in provincial rivers was generally highly rated. One out of 12 sampling sites scored a rating of excellent, while nine sites scored a rating of good, and two achieved a rating of fair.

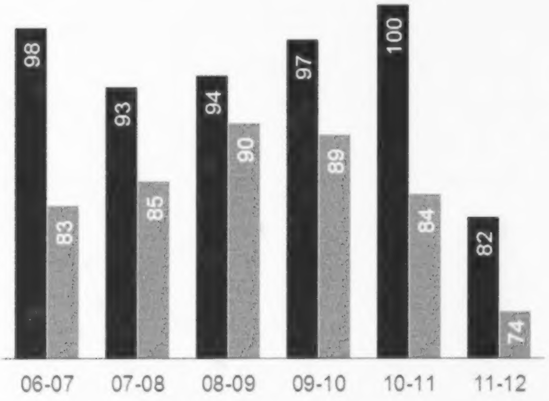
Figure 20



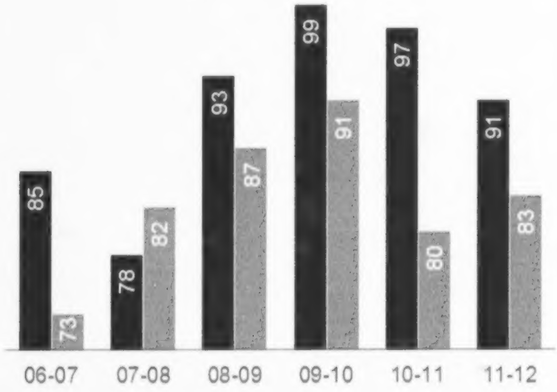
Athabasca River



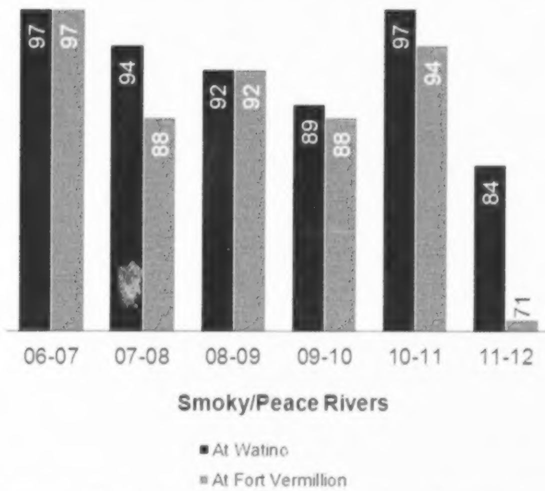
Bow River

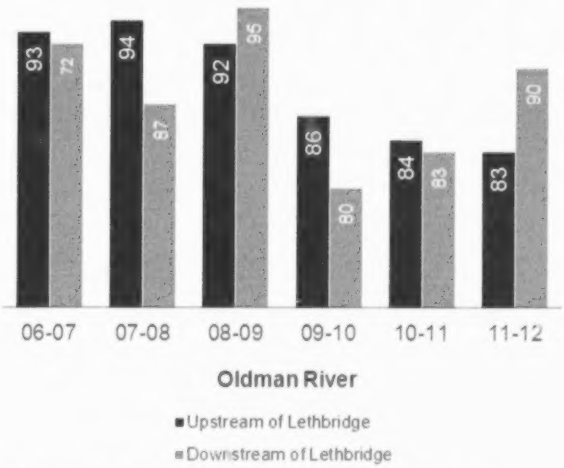


North Saskatchewan River



Red Deer River





Source: Environment and Sustainable Resource Development Note: Various natural and human factors, including flow volume, degree of development in the basin, point source effluent discharges, and nonpoint source runoff (e.g., from agricultural fields), can influence the Index. In April of 2011, sampling in the North Saskatchewan River basin coincided with snow melt, which likely contributed to increased nonpoint source runoff to the River. Contaminants (bacteria, nutrients, pesticides) transported by this runoff caused an increase in the number and magnitude of water quality guideline exceedances, resulting in a lower River Water Quality Index rating at the downstream monitoring station. Similarly, July rainfall in the Peace River basin likely contributed to guideline exceedances for nutrients, metals, bacteria, and pesticides, and an Index rating of 'fair' at the downstream monitoring station.

Index Guidelines

96 – 100 Almost always met; Best Quality (Excellent).

81 – 95 Occasionally exceeded, but usually by small amounts; threat to quality is minimal (Good).

66 – 80 Sometimes exceeded by moderate amounts; quality occasionally departs from desirable levels (Fair).

46 – 65 Often exceeded, sometimes by large amounts; quality is threatened, often departing from desirable levels (Marginal).

0 – 45 Almost always exceeded by large amounts; quality is significantly impaired and is well below desirable levels; Worst Quality (Poor).

Both upstream and downstream monitoring stations must achieve a minimum rating of good for the river to receive an overall score of good to excellent.

Data for the river water quality index are collected monthly at numerous monitoring locations throughout the province. These stations comprise the provincial long-term river network. Stations upstream and downstream of agricultural, industrial or municipal areas are compared to examine the overall impact of these developments on river water quality. Index values for a subset of these stations from the province's six major river systems are used to depict changes in water quality that have occurred over the past several years.

Monthly water quality samples are collected at key locations for each of the province's six major river systems. An index value is calculated for each of four variable groups for data collected between April and March, representing both a fiscal and a water year:

- metals (22 variables measured quarterly);
- nutrients (6 variables measured monthly, includes oxygen and pH);
- bacteria (2 variables measured monthly); and
- pesticides (17 variables measured four times through the summer).

Index values for the four variable groups are then averaged to produce an overall Index of river water quality that can be tracked over time. To ensure comparability of Index ratings among rivers and monitoring stations, water quality variables used in Index calculation must be consistent at all sites. As a result, variables that may be of particular concern in only a few specific rivers (e.g., pulp and paper chlorinated phenolics, polycyclic aromatic hydrocarbons) are not included in the Index calculation.

The formula used to calculate index values for each group is based on three statistical attributes of water quality, relative to desirable levels (defined by water quality guidelines, in most cases):

- Scope – the total number of water quality variables that do not meet guidelines;
- Frequency – the number of individual measurements for all variables combined that do not meet guidelines; and
- Amplitude – the amount by which measurements do not meet guidelines.

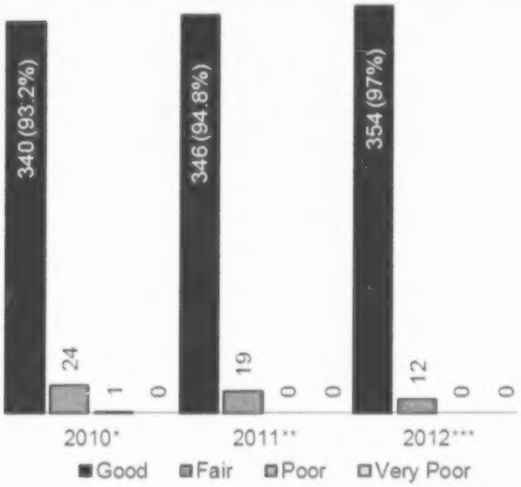
Variables in the first three groups (metals, nutrients and bacteria) are compared to guidelines listed in *Surface Water Quality Guidelines for Use in Alberta*. Where a number of guidelines exist for one variable, the guideline for the most sensitive use (recreation, agriculture, or the protection of aquatic life) is typically chosen. Drinking water guidelines are not considered, since surface water should not be used for drinking without first being treated. The index calculator is periodically revised to keep current with updates to National Water Quality Guidelines.

Variables in the fourth group (pesticides) are evaluated based on whether they can be detected in a water sample. This conservative approach was adopted because some pesticides do not yet have official guidelines and, unlike metals, nutrients, and bacteria, do not occur naturally in the environment.

Air Quality Index

This measure indicates the number of good, fair, poor and very poor air quality days. Air quality is measured based on five major pollutants: carbon monoxide, nitrogen dioxide, ozone, sulphur dioxide, and fine particulate matter – $PM_{2.5}$.

Figure 21
(number and percentage in days)



Source: Environment and Sustainable Resource Development, Parkland Airshed Management Zone, Calgary Region Airshed Zone, Fort Air Partnership, Peace Airshed Zone Association, Palliser Airshed Society, Lakeland Industry and Community Association, and Wood Buffalo Environmental Association.

* Based on data from ten stations (includes Calgary Central, Calgary East, Calgary Northwest, Cold Lake South, Edmonton Central, Edmonton East, Edmonton South, Henry Pirker, Lethbridge and Red Deer) which operate with the new $PM_{2.5}$ monitoring technology.

** Based on data from eleven stations (includes Edmonton Central, Edmonton East, Edmonton South, Calgary Central, Calgary Northwest, Lethbridge, Fort Saskatchewan, Cold Lake South, Red Deer, Crescent Heights, and Henry Pirker). In 2010, Crescent Heights was not included due to insufficient data availability and Fort Saskatchewan was not included as it did not use the new $PM_{2.5}$ technology at that time. Calgary East was decommissioned in 2011 for relocation.

*** Based on data from ten stations (Calgary Central, Calgary Northwest, Cold Lake South, Crescent Heights, Edmonton Central, Edmonton East, Fort McMurray – Athabasca Valley, Fort Saskatchewan, Henry Pirker, and Red Deer). Edmonton South and Lethbridge not included in 2012 due to insufficient data. Fort McMurray Athabasca Valley was upgraded to the new $PM_{2.5}$ monitoring technology and is now included.

Alberta's Air Quality Index is calculated based on a minimum of four and maximum of five major air pollutants measured hourly at twelve Alberta locations. The monitoring stations are situated in urban centres with consideration given to proximity to industrial and non-industrial sources. The measurements are converted to a standard scale known as the Air Quality Index (AQI), which is calculated for each pollutant every hour.

In 2012, the AQI was calculated hourly at ten continuous monitoring stations, three in Edmonton, two in Calgary, and one each in Red Deer, Lethbridge, Grande Prairie, Fort McMurray, Fort Saskatchewan, Medicine Hat and Cold Lake. The Lethbridge station and one Edmonton station were found to not meet the criteria for completeness, and thus could not be used in the final overall calculation. The pollutants used to calculate the AQI are carbon monoxide, fine particulate matter ($PM_{2.5}$), nitrogen dioxide, ozone and sulphur dioxide. Measurements of at least four of the five pollutants must be available to calculate the AQI, and $PM_{2.5}$ must be one of the pollutants. The pollutant that gives the highest AQI measure for each hour determines the AQI for that hour. The hourly AQI number is compared to AQI ranges that represent good (0-25), fair (26-50), poor (51-100), and very poor (>100) air quality.

The total number of hours of good, fair, poor and very poor air quality for all locations in the year are divided by the number of days in the year and expressed as a percentage. These categories are derived using formulas based on air quality objectives under the *Environmental Protection and Enhancement Act* and the National Ambient Air Quality Objectives.

In agreement with the National Air Pollution Surveillance Program, ESRD and Airsheds implemented a change in the $PM_{2.5}$ monitoring instrumentation (analyzers). Using previous technology, when a sample was heated some chemicals were volatilized (evaporated) and the concentration of $PM_{2.5}$ was under predicted. Newer technologies incorporated cryers, or more selective use of heating depending on humidity, in an attempt to more accurately measure the $PM_{2.5}$ concentration. The 2010 through 2012 results reflect the data collected from the new monitoring technology.

Total Greenhouse Gas Emissions

As a signatory to the United Nations Framework Convention on Climate Change, UNFCCC, Canada is obligated to prepare and submit an annual national greenhouse gas, inventory covering anthropogenic emissions by sources and removals by sinks. Environment Canada is responsible for preparing Canada's official national inventory with input from numerous experts and scientists across Canada. The National Inventory Report, contains Canada's annual greenhouse gas emission estimates dating back to 1990.

ESRD reports on Alberta's total emissions as reported in the National/Provincial/Territorial Tables.

Canada's Inventory can be found at: www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=68EE206C-1.

Source: Environnent Canada

Drinking Water Safety Indicator

The drinking water safety indicator measures the success of the Drinking Water Program in ensuring Albertans will continue to enjoy improving drinking water quality. Under the *Environmental Protection and Enhancement Act*, ESRD regulates waterworks facilities that provide drinking water to Albertans, including campgrounds and rural subdivisions that use surface water sources, and all waterworks in villages, towns, and cities. This indicator measures the ability of regulated facilities in delivering quality drinking water to Albertans. The indicator is comprised of three sub-measures:

Facility Design Standards, FDS

The measure is an assessment of an approved drinking water facility's requirement against newer performance standards. These standards are revised every five to ten years. In January 2006, new performance standards were introduced and have been specified for the facilities to which they apply. The reported results indicate the number of facilities that have been constructed, maintained, or upgraded and required to meet newer requirements. Staff members at ESRD update these assessments throughout the year and report the results annually. The reported results indicate if continuous improvement and upgrading is occurring at the regulated facilities.

Facility Operational Requirements, FOR

Approved drinking water facilities operate under conditions of an approval or registration issued under the *Environmental Protection and Enhancement Act*. FOR data show the percentage of facilities that comply with operational requirements that prevent water quality concerns. The measure is adjusted to account for the number of facilities inspected during the year, rather than the total number of facilities, since not every facility is inspected each year. Facilities are required to self-report non-compliance and, in addition, ESRD staff inspect approved facilities throughout the year and report and respond to non-compliance incidents.

Water Quality, WQ

Regulated drinking water facilities must report on the quality of the treated water against specified limits.

Alberta has adopted the health-related limits of the Guidelines for Canadian Drinking Water Quality published by Health Canada as well as establishing treatment performance requirements. Most health-related limits are a concern if the water is consumed over a long period of time (many years) while performance requirements are of a more immediate concern. Intervention is needed in either case, and may range from a public health advisory to prevent consumption of the water, to a requirement to upgrade a waterworks facility.

This measure reports the percentage of facilities that did not have significant water quality issues. The percentage is based on the total number of facilities.

Source: Environment and Sustainable Resource Development

Rangeland Sustainability

This measure helps determine the sustainability of public rangeland. Grazing leases scheduled to expire during the year (approximately 10 per cent of total grazing leases held in the province) are assessed for sustainable rangeland health and management practices. The Geographic Land Information Management and Planning System (GLIMPS) selects leases for this measure and the results of these lease inspections are recorded in GLIMPS. The number of leases found to be good standing is divided by the total number of leases inspected and multiplied by 100 to obtain the percentage of leases in good standing. Results for this measure lag by one year.

Forest Sector Compliance

This measure demonstrates the level of compliance with best forest management practices and legislation. It reflects the work ESRD does to ensure that operating standards and legislated forestry and reforestation activities are monitored and that incidents of non-compliance are enforced.

The Incident Reporting System (IRS) provides the enforcement data for this performance measure. Forest operations information includes all aspects of harvesting, road construction and deactivation, installation of watercourse crossings, debris disposal and legislated reforestation activities derived in part from Forest Operations Monitoring Program (FOMP) data and the Alberta Reforestation Information System (ARIS). To determine the total number of enforcement actions in a given timber year, the Incident Reporting System (IRS) is queried to produce an area summary report. This report is then reviewed to compile the forestry related penalty assessments, waivers and warnings. The total number of blocks cut in a given timber year is derived from information on new openings entered into ARIS.

Land-Use Framework – Regional Plans

This measure gauges progress in implementing Alberta's Land-use Framework. The regional plans under the Land-use Framework must be approved by Cabinet to be considered completed. The number of regional plans approved by Cabinet is summed cumulatively every fiscal year.

Economic Benefit from Alberta's Public Lands

ESRD earns revenue by allowing industry to lease the land. The value of Alberta's economic gains from the land through harvested commodities such as timber, oil and gas is large in comparison. This measure attempts to capture the economic gain from commodities produced from leasing access to public lands to industrial clientele. Results from this measure will add context to the ministry's aim of sustaining Alberta's natural resources for future generations.

All the data utilized for the measure is collected from sources published within the Government of Alberta. Non-renewable resource revenue (collected from Government of Alberta Budget Fiscal Plan Tables) and lands expenses directly incurred (from the ministry's annual report consolidated statements of operation) are collected and stated as a ratio against public lands revenues.

Source: Government of Alberta

Sustainable Timber Harvest

Results reflect Alberta's ability to manage forests on Crown land in a sustainable manner. Annual allowable cut (AAC) is the amount of timber that can be harvested on a sustainable basis (in accordance with the policy of sustained yield) within a defined planning area. Recreation areas, wildlife reserves, and stream buffers are excluded from the AAC calculation. The AAC is determined on either an individual forest management unit basis or specific forest management agreement area basis. Information is stored in a database and summed to determine the total provincial AAC for the province. Data from the Timber Production and Revenue System is used to determine the provincial harvest level (actual timber harvest). Certain volumes are not included in the harvest level for the purpose of comparability to the AAC. For example, fire salvage is not included in harvest levels if it does not contribute to the AAC. A five-year rolling average is used to report provincial AAC and actual timber harvest levels and results lag by one year.

Healthy Forest – Rate of Regrowth

The rate of forest regrowth is the percentage of targeted regrowth achieved on harvested areas at the time of last mandated assessment. This measure ensures that reforestation continues to sustain Alberta's public forests and forest lands following industrial harvesting. Monitoring reforestation in relation to regeneration standards is an essential part of continued forest sustainability and demonstrates efforts that ESRD staff perform to sustain Alberta's forest resources.

The current forest regeneration assessment system utilizes detailed data and assesses sufficiency of the harvested areas' reforestation status. Two approaches are used either by assessing the measure's status relative to a fixed point-in-time standard, or by forecasting the growth rate of the reforested trees relative to the growth rate assumed for that forest type in the Forest Management Plan (FMP) for the area. The regrowth rate measure reports a single metric combining both systems of assessing regeneration performance.

Healthy Forest – Wildfire

The number of wildfires contained within the first burning period (by 10 a.m. the day following assessment) is expressed as a percentage of all wildfires that occur during the fire season (April 1 to October 31). Wildfires in the province are thoroughly tracked for detection, assessment, control, and containment logging time and resources used. The results of the performance measure indicate how quickly the ministry controls wildfires. Early detection, assessment and containment minimizes fire loss and reduces suppression costs.

Healthy Fish and Wildlife – Participation and Stewardship

The Resource Licensing Management System (RELM) tracks licensing transactions for hunters and anglers in Alberta. These numbers are be extracted to report on the total number of outdoor recreationalists on an annual basis. In 2010 a standard report for extracting license data was set up with Fish and Wildlife division. The standard report is used for consistent and valid data extraction. Year to year percentage change is calculated annually to determine trends in fishing and hunting participation.

This performance measure was generated in 2009 using statistics provided from Fish and Wildlife branch on licence sales. The data used in 2009 was not collected using a standard report format. In 2010 discussions with Fish and Wildlife branch resulted in the use of a standard report for data extraction from RELM to ensure year over year consistency in the performance measure results. At this time all years' results were regenerated.

Limitation: youth hunters refer to youth aged 12-17 and youth anglers refer to youth aged 16-17. Participants below the scope of these age ranges are not counted via the licensing systems. Elderly hunters and anglers aged 65 and older are also not captured.

Healthy Fish and Wildlife Populations – Species at Risk

The general status rank for each wild vertebrate species vertebrates (Mammals, Birds, Amphibians, Reptiles, and Fish) in Alberta is based on population size, population dispersion/distribution, trend in population, trend in distribution, threats to populations, and threats to habitat. The ranks are At Risk, May be at Risk, Sensitive, Secure, Not Assessed, Exotic/Alien, Extirpated/Extinct, and Accidental/Vagrant. Every five years, these rankings are reviewed by species experts from government, industry, academia, and the general public. The performance measure is then calculated using the general status ranks for all vertebrates in the province. The analysis is limited to vertebrates because the Fish and Wildlife Division is constantly assessing the status of new and often poorly known taxonomic groups. In order to make long-term comparisons meaningful, only vertebrate ranks are used. The measure is calculated by taking the number of vertebrate species At Risk (i.e. those identified as Endangered or Threatened) and dividing that by the total number of vertebrate species known in the province x 100. This year, we are reporting that 3.6 per cent of vertebrate species in the province are At Risk.

Methodology for determining species at risk remains consistent. Taxonomy across jurisdictions remains consistent (Nature Serve - www.natureserve.org). Working documents are created for each vertebrate taxonomic group (one page plus a rank for each species). The working documents are updated with new data from status reports/updates of on-going research. Data are stored by the Fish and Wildlife Division. Species are given a preliminary status ranking and the document is time stamped. An "At Risk" designation will highlight the fact that a species has been legally defined as either Endangered or Threatened under the *Alberta Wildlife Act*.

Municipal Solid Waste to Landfills

This measure indicates Alberta's progress towards reducing the amount of municipal solid waste disposed in municipal landfills, as measured in kilograms of waste per capita per year. Waste from the residential sector; the industrial, commercial and institutional sector; and the construction, renovation and demolition sector collected at municipal landfills is included in this measure. The calculation is based on the kilograms of municipal solid waste sent to landfills and the population served by each reporting landfill.

The information is collected from landfills with weigh scales and is voluntarily provided. The measure is calculated using the most up to date population statistics, either Municipal Affairs' official provincial population list or Statistics Canada's Census data. Approximately 84 per cent of Alberta's population is served by reporting landfills. Estimates are used for the remaining population and are derived by multiplying the per capita disposal rate with the unmeasured population.

Source: Environment and Sustainable Resource Development

Personal Engagement Indicator

An independent consultant conducts an annual telephone survey with a random sample of 800 Albertans aged 18 or older. The "Birthday Method" of selecting respondents, where the interviewer asks to speak to the adult of the household who most recently had a birthday, is used in order to ensure a random selection within households. The interviews are stratified by region, and quotas are established to ensure a reliable sample size for regional analysis. The final data is weighted to ensure the overall sample's regional and age/gender composition reflects that of the actual Alberta population aged 18 or older according to 2011 Census data. The margin of error for the total sample of 800 is +/- 3.5 percentage points, 19 times out of 20.

The Personal Engagement Indicator is calculated by the number of survey respondents who describe themselves as actively engaged in energy, waste or water conservation divided by the total number of survey respondents (800). Survey respondents who describe themselves as actively engaged in energy, waste or water conservation include both "very active" and "somewhat active" survey responses.

Source: Ipsos Reid

Changes to Performance Measures Information

The merger of the ministries of Environment and Water and Sustainable Resource Development into ESRD paved the way for greater coordination and integration of tasks, functions and processes in the ministry's role as a natural resource manager and environmental steward. The ESRD measures of performance are reviewed for effectiveness in charting the ministry's progress toward its goals. ESRD is committed to developing, monitoring and reporting on the best measures available to reflect the ministry's achievement towards mandated outcomes.

There was only one change to the performance measure information since the 2011-12 Annual Report, which was to the Municipal Solid Waste to Landfills measure. The change will ensure that the current measure is more appropriate because it reflects better data reporting.

Municipal Solid Waste to Landfill historical results for 2011 and 2012 were revised to correct an insignificant misstatement due to a formula error discovered by the Auditor General's Office. The error arose from the non-inclusion of estimated urban population in the final numbers. As there were no urban population estimates prior to 2011, the results prior to 2011 were not affected by this error. The measure's data is calculated using the most up-to-date population statistics, either Municipal Affairs official population list or 2011 Statistics Canada Census data.

Integrated Results Analysis

This fiscal year, ESRD focused its resources to support areas such as wildfire management; mountain pine beetle program; Canada ecoTrust for Clean Air and Climate Change; Climate Change and Emissions Management Fund; Land Stewardship Fund; and monitoring, science and reporting.

Efforts were focused on responding promptly to wildfires and the threat of wildfires. Extreme wildfire conditions, including low moisture levels and high wind speeds, increased the wildfire risk. A wildfire emergency existed in the form of extraordinary losses, damages and costs, including prevention, reclamation and reforestation costs, resulting from wildfires with respect to the 2012-2013 fiscal year.

The ministry continues to address the risk and threat of mountain pine beetle on its forests and watersheds, and address the significant need for rehabilitation of beetle-killed stands.

The ministry supported projects to reduce greenhouse gas emissions through Canada ecoTrust for Clean Air and Climate Change initiatives, including clean energy research and waste-to-energy conversion. Over $29 million was spent on ecoTrust initiatives in 2012-13. Major projects included:

- $11 million to Millar Western Forest products Ltd. to support the Whitecourt Bio Energy Project. This project is expected to improve pulp effluent treatment and convert recovered organic waste to bioenergy to displace fossil fuel consumption.
- $4 million to Manning Diversified Forest Products to support the combined heat and power using waste wood biomass technology.
- $3 million funding support to West Fraser Mills Ltd. Slave Lake Pulp Mill Biogas project.
- $3 million funding support provided to build the Town of Drayton Valley Clean Air and Technology Centre.
- $3 million to SBI BioEnergy Inc./City of Edmonton to support the waste to biodiesel technology demonstration facility.

The Climate Change and Emissions Management Fund reported $94 million in revenue during the 2012-2013 fiscal year and collected $86 million for the 2012 compliance period (based on a calendar year). The fund provides grant payments to the Climate Change and Emissions Management Corporation, an independent not-for-profit organization. This corporation invests in initiatives and projects that support developing and implementing transformative technologies that reduce greenhouse gas emissions and improve our province's ability to adapt to climate change.

The Land Stewardship Fund provided $16.5 million in grants to third parties for the purchase of an estate or interest in land for conservation purposes.

The ministry has continued to work to deliver on government's commitment to develop a world class monitoring, evaluation and reporting system for Alberta with initial focus on Alberta's oil sands.

The ministry is delivering on its commitments, while ensuring the environmental protection of air, land and water and sustainable development of natural resources.

Comparison of 2012-2013 Budget to 2012-2013 Actuals

The following list provides an explanation of the major program variances:

Wildfire Management

Wildfire Management budget is based on anticipated costs to be in a state of readiness. Costs to action fires are accessed through supplementary estimates based on the fire season. In 2012-13, program spending was higher than the budget amount by $239 million due to costs to suppress wildfires that occurred during the year. Funding of $259 million was approved through supplementary estimates.

Forest Management

Program spending in this area was higher than the budget amount by $38 million because of spending on costs to combat Mountain Pine Beetle infestation. Additional funding of $40 million was approved through supplementary estimates.

Climate Change

Program spending was lower than the budget amount by $32 million primarily because of the deferral of initiatives under Canada ecoTrust for Clean Air and Climate Change.

Climate Change and Emissions Management

Program spending was higher than the budgeted amount by $24 million because of increased revenues received through contributions made by industries to meet their emission intensity limit.

Approvals

Program expenditures are $9 million lower than the budgeted amount because of credit or recovery shortfalls. Fewer applications were received for reclamation and remediation certificates, resulting in fewer site audits being conducted. In addition, funding was reallocated to support information and knowledge management initiatives to develop monitoring, evaluating and reporting systems that engage stakeholders and are open, transparent and integrated.

Public Land Management

Program expenditures are $10 million higher than the budgeted amount primarily because of a payment for a legal settlement.

Land Disposition

Program expenditures are $16.5 million higher than the budgeted amount because of grants to third parties for the purchase of land for conservation purposes. It is difficult to predict when applications and approvals for land grants will occur; therefore, expenditures may be higher than budgeted.

Monitoring, Science and Reporting

Program expenditures are $12 million higher than the budgeted amount of $22 million primarily because of spending to implement the Joint Canada Alberta Oil Sands Monitoring Plan. As this was a new initiative, there were no budget dollars allocated for the monitoring plan. Therefore, additional funding of $17 million was approved through supplementary estimates. Thirteen million dollars of the $17 million was expended and this $13 million was fully offset by revenue from the oil sands industry.

Comparison of 2012-2013 Actuals to 2011-2012 Actuals

The following list provides an explanation of the major program variances:

Forest Management

Program spending in 2012-13 is $9 million higher than 2011-12 because of increased spending to combat Mountain Pine Beetle infestation.

Climate Change

Program spending in 2012-13 is $6 million lower than 2011-12 because of deferral of activities under Canada ecoTrust for Clean Air and Climate Change to future years.

Climate Change and Emissions Management

Program spending in 2012-13 is $43 million higher than in 2011-12 because of increased revenues received through contributions made by industries to meet emission intensity limits.

Public Land Management

Program spending in 2012-13 is $14 million higher than in 2011-12 because of a payment for a legal settlement.

Monitoring, Science and Reporting

Program spending in 2012-13 is $16 million higher than in 2011-12 to implement the Joint Canada and Alberta Oil Sands Monitoring Plan ($13 million) and further develop a world class monitoring system for Alberta ($3 million).

Ministry Expense by Function

Table 1

Ministry of Environment and Sustainable Resource Development
For the Year Ended March 31, 2013
(in millions)

	2012-13 Budget	2012-13 Actual	2011-12 Actual (Restated)
Agriculture, Resource Management, and Economic Development	$ 156.5	$ 220.3	$ 196.5
Protection of Persons and Property	98.5	341.4	347.9
Environment	354.3	337.8	273.6
Total	$ 609.3	$ 899.5	$ 818.0

The ministry's expenses by government function are outlined above. Although 58.2 per cent of the budget was allocated in the Environment function, the fire season caused 38.0 per cent of actual gross expenses to be incurred in the Protection of Persons and Property function.

Financial Information

Annual Report
2012 - 2013

CONTENTS

Ministry of Environment and Sustainable Resource Development - Financial Statements 65

Department of Environment and Sustainable Resource Development – Financial Statements 96

Climate Change and Emissions Management Fund - Financial Statements 127

Environmental Protection and Enhancement Fund - Financial Statements 136

Land Stewardship Fund - Financial Statements 147

Natural Resources Conservation Board - Financial Statements 156

Statement of Remissions, Compromises and Write-Offs 167

Ministry of Environment and Sustainable Resource Development

Consolidated Financial Statements

Year Ended March 31, 2013

AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Environment and Sustainable Resource Development, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Environment and Sustainable Resource Development as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2013

Edmonton, Alberta

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2013

	2013		2012
	Revised Budget (Schedule 4)	**Actual**	**Actual** Restated (Note 3, 4 & 14)
		(in thousands)	
Revenues (Schedule 1)			
Transfers from Government of Canada	$ 89,515	$ 57,045	$ 77,638
Investment Income	1,543	2,156	1,285
Premiums, Fees and Licences	113,518	131,332	120,267
Climate Change and Emissions Management Fund	70,000	93,734	51,172
Other Revenue	18,519	53,475	96,448
	293,095	337,742	346,810
Expenses - Directly Incurred (Note 2(b) and Schedule 10)			
Program (Schedules 3 and 6)			
Ministry Support Services	53,445	56,394	56,748
Forestry:			
Wildfire Management	122,728	361,252	359,367
Forest Management	23,281	61,374	52,277
Forest Industry Development	3,763	4,540	5,253
Policy:			
Air, Land and Waste Policy	5,972	7,554	8,739
Climate Change	62,338	30,275	36,083
Clean Energy	7,942	4,289	5,012
Policy Innovation	1,592	1,465	881
Water Policy	9,322	5,236	4,389
Climate Change and Emissions Management	70,000	94,036	51,172
Operations:			
Resource Management	18,597	15,248	14,346
Approvals	28,827	19,691	20,059
Compliance and Enforcement	12,354	12,042	11,805
Water Operations	41,121	39,996	37,078
Emergency Response	1,406	1,791	1,583
Lands:			
Public Land Management	31,728	41,796	27,423
Rangeland Management	10,297	10,560	9,592
Land Dispositions	8,479	24,114	25,875
Land Use Secretariat	6,894	6,892	6,600
Fish and Wildlife:			
Fisheries Management	10,851	11,173	11,076
Wildlife Management	29,003	27,462	25,339
Monitoring, Science and Reporting	21,872	33,474	17,149
Strategy:			
Water and Air Partners	7,819	10,958	12,623
Strategy and Analysis	3,889	3,299	3,523
Regional Planning	3,076	2,822	2,873
Quasi-Judicial Land-Use and Compensation Decisions			
Natural Resources Conservation Board	6,449	6,083	5,889
Surface Rights Board	2,957	3,193	3,372
Reclamation and Emergency Preparedness	2,174	904	803
Legal Settlement	1,088	1,588	1,088
	609,264	899,501	818,017
Net Operating Results	$ (316,169)	$ (561,759)	$ (471,207)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2013

	2013	2012 Restated (Note 3, 4 & 14)
	(in thousands)	
Assets		
Cash and Cash Equivalents (Note 2)	$ 321,742	$ 257,788
Accounts Receivable (Note 5)	104,674	45,664
Prepayment of Settlement (Note 6)	10,754	11,758
Inventories	4,297	4,574
Tangible Capital Assets (Note 7)	1,162,795	1,126,228
	$ 1,604,262	$ 1,446,012
Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	$ 233,814	$ 153,478
Deferred Revenue (Note 9)	99,269	113,279
	333,083	266,757
Net Assets		
Net Assets at Beginning of Year (Note 3 & 4)	1,179,255	1,132,703
Less: Adjustment to opening net assets	(4,730)	-
Net Operating Results	(561,759)	(471,207)
Net Financing Provided from General Revenues	658,413	517,759
Net Assets at End of Year (Note 3 & 4)	1,271,179	1,179,255
	$ 1,604,262	$ 1,446,012

Contractual obligations and contingent liabilities (Note 10 and 11)
The accompanying notes and schedules are part of these financial statements.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2013

	2013	2012 Restated (Note 3, 4 & 14)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (561,759)	$ (471,207)
Non-cash Items Included in Net Operating Results		
Amortization (Schedule 3)	29,033	28,073
Loss (Gain) on Disposal of Tangible Capital Assets	175	(10,116)
Donation of Capital Asset	(990)	-
Nominal Sum Disposals	-	10,106
	(533,541)	(443,144)
(Increase) Decrease in Accounts Receivable	(59,010)	31,492
Decrease in Prepayments of Settlement	1,004	1,045
Decrease (Increase) in Inventories	278	(657)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	80,337	(52,640)
Decrease in Deferred Revenue	(18,739)	(33,466)
Cash Applied to Operating Transactions	(529,671)	(497,370)
Capital Transactions		
Acquisition of Tangible Capital Assets	(39,156)	(14,603)
Proceeds on Disposal/Sale of Tangible Capital Assets	9	233
Transfer of Tangible Capital Assets to other Government Entities (1)	264	14
Transfer of Tangible Capital Assets from other Government Entities (1)	(25,905)	(2,314)
Cash Applied to Capital Transactions	(64,788)	(16,670)
Financing Transactions		
Net Financing Provided from General Revenues (1)	658,413	517,759
Impact of Restatement	-	577
Cash Provided by Financing Transactions	658,413	518,336
Increase in Cash and Cash Equivalents	63,954	4,296
Cash and Cash Equivalents at Beginning of Year	257,788	253,492
Cash and Cash Equivalents at End of Year	$ 321,742	$ 257,788

(1) Transfer of Non-cash Tangible Capital Assets between Government entities of 25,641.

The accompanying notes and schedules are part of these financial statements.

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Environment and Sustainable Resource Development (the Ministry) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Ministry also operates under the authority of the following acts:

Organization	Authority
Department of Environment and Sustainable Resource Development	*Boundary Surveys Act* *Wildlife Act* *Fisheries (Alberta) Act* *Forests Act* *Forest and Prairies Protection Act* *Forest Reserves Act* *Mines and Minerals Act* *Public Lands Act* *Surveys Act*
Environmental Protection and Enhancement Fund	*Environmental Protection and Enhancement Act*
Climate Change and Emissions Management Fund	*Climate Change and Emissions Management Act*
Land Stewardship Fund	*Public Lands Act*
Natural Resources Conservation Board	*Natural Resources Conservation Board Act*
Surface Rights Board	*Surface Rights Act*
Land Compensation Board	*Expropriation Act*

The ministry consists of the Department of Environment and Sustainable Resource Development, the Climate Change and Emissions Management Fund, the Environmental Protection and Enhancement Fund, and the Land Stewardship Fund. Funding is also provided for the following quasi-judicial boards which are accountable to the Minister: the Environmental Appeals Board, the Natural Resources Conservation Board, the Surface Rights Board, and the Land Compensation Board.

The Ministry of Environment and Sustainable Resource Development's mission is to lead the achievement of desired environmental outcomes and sustainable development of natural resources for Albertans, as proud stewards of air, land, water and biodiversity. The ministry accomplishes its mission through management, science and stewardship practices, working closely with Albertans and representatives of communities, other governments and industry. The work takes the ministry into conversation across jurisdictions, including international, national, provincial, regional and local parties.

The ministry's core business is leading and enabling the achievement of desired environmental outcomes and natural resource sustainable development to provide economic and environmental benefits and to enrich Albertans' quality of life. The ministry is part of the resource management system in the province, with a focus on public lands, forests, fish and wildlife, air quality, water, waste, environmental emergencies, land reclamation and climate change. The ministry is responsible for overseeing the development, implementation, review and amendment of regional plans under the Land-use Framework. The ministry develops and implements strategies, policies, plans, and legislation to manage the cumulative effects of human activity and achieve Albertans' desired future. In delivering its core business, the Ministry of Environment and Sustainable Resource Development commits to Albertans that decisions are informed, responsible and accountable and respect the right mix of opportunities and benefits to achieve desired outcomes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Ministry of Environment and Sustainable Resource Development, for which the Minister of Environment and Sustainable Resource Development is accountable. These financial statements include activities of the Department of Environment and Sustainable Resource Development, the Environmental Protection and Enhancement Fund, the Natural Resources Conservation Board, the Climate Change and Emissions Management Fund and the Land Stewardship Fund. The financial statements of the Department of Environment and Sustainable Resource Development include the activities of the Surface Rights Board, Environmental Appeals Board and the Land Compensation Boards.

All ministries of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of ministries are deposited into the Fund and all cash disbursements made by ministries are paid from the Fund. Net Financing provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on an accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Accounting Policy Change

Effective April 1, 2012, the department changed its policy for recording capital transfers and restricted capital contributions. Previously, capital transfers and restricted capital contributions were recorded as revenue when the tangible capital assets were acquired or constructed. As a result of this policy change, capital transfers and restricted capital contributions are recognized as deferred revenue upon receipt and transferred to revenue over the useful life of capital assets based on relevant stipulations by transferring government and restrictions by donors. This policy has been adopted retroactively without restatement of comparatives. As a result, the opening net assets/liabilities have decreased by $4,730.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Capital Contributions

Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the ministry may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the ministry's Credit or Recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of the employer contributions for current service of employees during the year,
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities, and
- grants which are recognized as expenses when authorized, eligibility criteria, if any, are met and a reasonable estimate of the amount can be made.

Incurred by Others

Services contributed by other entities in support of the ministry operations are not recognized and are disclosed in Schedule 9 and allocated to programs in Schedule 10.

Cash and Cash Equivalents

The Consolidated Cash Investment Trust Fund (Fund) is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2013, securities held by the Fund have a time-weighted return of 1.3% per annum (2012: 1.3% per annum).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the asset is in use.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Disposal of capital assets for nominal sum, often referred to as nominal sum disposal grants, are now reported at the book value of the asset. Previously these disposals had been reported at the fair value of the asset. As the total dollar value of nominal sum disposal grants by the government is relatively small, this change in reporting is being implemented prospectively from April 1, 2012, rather than retroactively.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to remediate contaminated sites. When the ministry has incurred such liabilities, a liability is accrued based on management's best estimates. Where an environmental liability cannot be estimated, the nature of the liability and its potential effect on the ministry's financial statements is disclosed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the ministry and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

Measurement Uncertainty *(in thousands)*

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Royalties and Disturbance fees

Royalties and disturbance fees on dispositions, recorded as $2,648 in these financial statements, are subject to measurement uncertainty.

Some revenues are predicated on self-assessment where clients are expected to understand the terms of their lease or permit and comply with them. This could impact the completeness of the revenues from royalties and disturbance fees on dispositions when clients fail to comply with the lease, permit, or disposition requirements. The ministry is in the process of enhancing systems and methods to validate amounts reported and ensure completeness of revenues. Regardless of system enhancements, procedures cannot identify all sources of unreported income from self assessed revenues. The ministry does not estimate the amount of unreported royalties or disposition fees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Climate Change and Emissions Management Fund
The preparation of these financial statements requires management to make estimates and assumption that affect the amounts of assets, liabilities, revenues and expenses reported.

The revenues from Facility Purchases of Fund Units and accounts receivable in these financial statements are subject to measurement uncertainty because methodologies including estimation techniques and emission factors are used in emissions measurement.

Revenues not yet assessed by management and the related accounts receivable are recorded based on cash received from facilities.

Revenues and accounts receivable also include an estimate of $21,512 for the amounts owing for the period January 1 to March 31, 2013 (2012 - $13,828). Management estimated this amount as 25 per cent of revenues for the 2012 compliance period. Actual results could vary by a material amount.

Provision for Doubtful Accounts
The provision for doubtful accounts, expensed as $176 in these financial statements, is based on the assumption that:

- 5% of the accounts receivable between 32 and 90 days
- 50% of the accounts receivable between 91 and 365 days, and
- 100% of the accounts receivable over 365 days

at March 31, 2013 will not be collected.

(c) Future Accounting Changes

PS 3260- Liability for Contaminated Sites
In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The entity would recognize a liability related to the remediation of such contaminated site subject to certain recognition criteria. Management is currently assessing the impact of this adoption in the financial statements.

NOTE 3 GOVERNMENT REORGANIZATION

(in thousands)

The Ministry of Environment and Sustainable Resource Development was established as a result of restructuring of government ministries announced on May 8, 2012. Comparatives for 2012 have been restated as if the ministry had always been assigned with its current responsibilities.

Net assets (Liabilities) as previously reported in the Ministry of Environment	$ 708,157
Net assets (Liabilities) as previously reported in the Ministry of Sustainable Resource Development	$ 424,546
Net Assets (Liabilities) at March 31, 2011	$ 1,132,703

NOTE 4 RESTATEMENT OF PRIOR YEAR

(in thousands)

Net Assets (Liabilities) as previously reported at March 31, 2012	$ 1,180,953
Vacation liability restatement*	(1,843)
Inventory restatement*	145
Net Assets (Liabilities) restated at March 31, 2012	$ 1,179,255
Net Operating Results as previously reported at March 31, 2012	$ (468,505)
SREM Aboriginal Affairs Branch transfers from the Ministry of Energy	(859)
Vacation liability restatement*	(1,843)
March 31, 2012 restated Net Operating Results	$ (471,207)
Net Financing provided from General Revenues as previously reported at March 31, 2012	$ 516,755
SREM Aboriginal Affairs Branch transfers from the Ministry of Energy	859
Inventory restatement*	145
Restated Net Financing provided from General Revenue at March 31, 2012	$ 517,759

* Restatement due to prior year errors.

NOTE 5 ACCOUNTS RECEIVABLE

(in thousands)

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value Restated (Note 3)
Accounts Receivable	$ 41,653	$ (1,987)	$ 39,666	$ 29,567
Climate Change and Emissions Management Fund	64,519	-	64,519	15,473
Water Power Rentals	202	-	202	179
Use of Works	287	-	287	246
Refunds from Suppliers	-	-	-	199
	$ 106,661	$ (1,987)	$ 104,674	$ 45,664

Accounts receivable are unsecured and interest bearing at various rates.

NOTE 6 PREPAYMENT OF SETTLEMENT

(in thousands)

The amount of $10,754 represents a prepayment for future access rights under the Bassano Dam settlement agreement with the Siksika Nation. The prepaid access rights will be expensed annually over the next 12 years as follows: $1,088 for the next year, $1,537 in the second year and $1,025 annually for the remaining 10 years.

NOTE 7 TANGIBLE CAPITAL ASSETS
(in thousands)

	Land[1]	Buildings	Equipment[2]	Computer Hardware and Software	Land Improve-ments	Highways and Roads	Dam & Water Management Structures[3]	Other[4]	2013 Total
Estimated Useful Life	Indefinite	10-40 years	3–15 years	5–10 years	5-40 years	20-50 years	20-80 years	5–24 years	
Historical Costs[5]									
Beginning of year	$ 129,802	$ 57,585	$ 79,201	$ 51,646	$ 74,135	$24,553	$ 1,187,536	$ 51,830	$ 1,656,288
Additions	615	4,100	4,786	3,149	7,916	14,219	26,592	20,392	81,769
Disposals, including write-downs	(196)	(592)	(1,074)	(85)	(14,698)	-	-	-	(16,645)
	$ 130,221	$ 61,093	$ 82,913	$ 54,710	$ 67,353	$ 38,772	$ 1,214,128	$ 72,222	$ 1,721,412
Accumulated Amortization									
Beginning of year	$ -	$ 19,060	$ 37,711	$ 35,260	$ 44,674	$ 9,551	$ 365,313	$ 18,491	$ 530,060
Amortization expense	-	1,173	4,518	2,319	422	1,066	18,279	1,256	29,033
Effect of disposals	-	(415)	23	(84)	-	-	-	-	(476)
	$ -	$ 19,818	$ 42,252	$ 37,495	$ 45,096	$ 10,617	$ 383,592	$ 19,747	$ 558,617
Net Book Value at March 31, 2013	$ 130,221	$ 41,275	$ 40,661	$ 17,215	$ 22,257	$ 28,155	$ 830,536	$ 52,475	$ 1,162,795
Net Book Value at March 31, 2012	$ 129,802	$ 38,525	$ 41,490	$ 16,386	$ 29,461	$ 15,002	$ 822,223	$ 33,339	$ 1,126,228

(1) Land includes land acquired for building sites, infrastructure and other program use.

(2) Equipment includes office, laboratory, heavy mobile and forest protection equipment, vehicles and furniture.

(3) Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures, which are constructed by the Ministry of Transportation and transferred to the Ministry of Environment and Sustainable Resource Development upon their completion.

(4) Other consists of aircraft and aircraft engines; and highways and roads (consists of original pavement, roadbed, drainage works and traffic control devices).

(5) Historical costs include work-in-progress at March 31, 2013 totalling $100,805 (2012 - $71,257) comprised of: buildings $11,654 (2012 - $15,742); equipment $15,997 (2012 - $14,244); computer hardware and software $9,923 (2012 - $9,438); land improvements $16,276 (2012 - $23,955); dam improvements $25,602 (2012 - $2,314); highways $0 (2012 - $802) and other $21,353 (2012 - $4,762). Historical costs also include asset classification changes.

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2013	2012 Restated (Note 3 & 4)
Accrued liabilities	$ 178,070	$ 110,797
Accounts payable general	29,509	16,317
Site Remediation and Reclamation Obligations	1,251	1,251
Vacation pay	24,984	25,113
	$ 233,814	$ 153,478

NOTE 9 DEFERRED REVENUE
(in thousands)

Opening Deferred Revenue	$	113,279
Add: Deferred Revenue received in the current year		15,640
Less: Deferred Revenue recognized as revenue in the current year		(29,650)
Closing Deferred Revenue	$	99,269

		2013		2012
Timber Holding and Protection Charges	$	2,989	$	2,966
Canada ecoTrust for Clean Air and Climate Change		35,645		64,272
Lands and Grazing		28,026		26,184
Land Sales		1,567		9,180
Deferred Lease and Water Power Rental Agreement Revenues		876		579
Deferred Reclamation Certificates		518		416
Deferred Capital Grants		15,292		-
Other		14,356		9,682
	$	99,269	$	113,279

NOTE 10 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

		2013		2012
Service contracts	$	89,583	$	129,621
Long-term leases		3,039		3,881
Grants				
Canada ecoTrust for Clean Air and Climate Change		32,350		36,350
Various Other Programs		150		416
	$	125,122	$	170,268

Estimated payment requirements for each of the next five years and thereafter are as follows:

		Service Contracts		Long-Term Leases		Grants		Total
2013-14	$	41,366	$	622	$	24,500	$	66,488
2014-15		20,700		627		8,000		29,327
2015-16		14,489		355		-		14,844
2016-17		8,326		174		-		8,500
2017-18		518		174		-		692
Thereafter		4,184		1,087		-		5,271
	$	89,583	$	3,039	$	32,500	$	125,122

NOTE 10 CONTRACTUAL OBLIGATIONS (cont'd)

The obligation to pay grants out of the Climate Change and Emissions Management Fund to the Climate Change and Emissions Management Corporation exists until September 2014. The annual grant amount is equal to the revenues from Facility Purchases of Fund Units for the calendar year compliance period adjusted for accumulated interest, changes to amounts assessed and the cost of verification initiated by management.

NOTE 11 CONTINGENT LIABILITIES

(in thousands)

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2013 the estimated liability for these claims is nil (2012: nil). The total amount claimed for all likely claims is $450 (2012: $1,950). Settlement of these claims will be made through the Alberta Risk Management Fund (ARMF). The resulting additional liability, if any, from likely claims in excess of the amounts covered by the ARMF is not determinable.

The ministry has been named in 14 (2012: 19) claims of which the outcome is not determinable. Of these claims, 12 (2012: 15) have specified amounts totalling $808,967 (2012: $827,984). The remaining two (2012: four) claims have no amounts specified. Included in the total claims, seven claims totalling $782,508 (2012: seven claims totalling $780,444) are covered in whole or in part by the ARMF. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 12 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's financial statements.

At March 31, 2013 trust funds under administration were as follows:

	2013	2012
Geophysical General Trust	$ 3,634	$ 3,500
Miscellaneous General Trust (Lands)	26,158	22,665
Performance Deposit Trust	1,454	1,519
Forests Act Securities General Trust	1,733	1,835
Environmental Protection Security Fund	27,003	18,391
	$ 59,982	$ 47,910

In addition to the above trust funds under administration, the ministry holds bank guarantees in the form of letters of credit and promissory notes as follows:

	2013	2012
Miscellaneous General Trust (Lands)	$ 27,289	$ 23,776
Performance Deposit Trust	6,064	3,674
Forests Act Securities General Trust	1,019	3,020
Environmental Protection Security Fund	1,476,035	1,296,002
	$ 1,510,407	$ 1,326,472

NOTE 13 BENEFIT PLANS

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of $24,306 for the year ended March 31, 2013 (2012 - $22,247). Ministries are not responsible for future funding of the plan deficit other than through contributions increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of $303,423 (2011 – deficiency of $517,726), the Public Service Pension Plan reported a deficiency of $1,645,141 (2011 deficiency - $1,790,383) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $51,870 (2011 – deficiency $53,489).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of $51,717 (2012 – surplus $9,136) and the Management, Opted Out and Excluded Plan an actuarial surplus of $18,327 (2012 – surplus of $10,454). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 14 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 15 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 1

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

REVENUES

Year ended March 31, 2013

	2013		2012
	Budget	Actual	Actual Restated (Note 3, 4 & 14)
		(in thousands)	
Transfers from the Government of Canada			
Softwood Lumber Agreement*	$ 25,369	$ 20,512	$ 28,368
Canada ecoTrust for Clean Air and Climate Change	59,666	28,626	34,411
Air Quality Health Index	-	200	200
Other	4,480	7,707	14,659
	89,515	57,045	77,638
Investment Income	1,543	2,156	1,285
Premiums, Fees and Licences			
Timber Royalties and Fees	34,900	46,248	39,204
Land and Grazing	65,054	74,804	69,554
Other	13,564	10,280	11,509
	113,518	131,332	120,267
Other Revenue			
Land Sales	5,000	23,075	60,667
Climate Change and Emissions Management Fund	70,000	93,734	51,172
Refund of Expenditures	-	2,898	12,607
Gain on disposal of Tangible Capital Assets and Nominal Sum Disposal	-	-	10,106
Water Resources	2,900	2,037	2,884
Other	10,619	25,465	10,184
	88,519	147,209	147,620
Total Revenues	$ 293,095	$ 337,742	$ 346,810

*The Softwood Lumber Agreement, 2006 requires the Minister of Natural Resources of the Government of Canada to collect a softwood lumber export tax on lumber export products to the United States. The export tax levels are based upon the *Random Lengths* Composite Framing Lumber Price Index (CFLPI). Above a CFLPI level of US$355 the export tax rate is 0 per cent. As the CFLPI falls below US$355, this tax rate increases in increments of 5 per cent until the export tax rate reaches 15 per cent. The export tax collected is transferred to the provinces net of the Government of Canada's administration and legal costs. (Note: Not in thousands)

The ministry received $20.5 million for the nine month period ended December 31, 2012 ($22.1 million for the nine month period ended December 31, 2011) and there are no accruals for the three month period ended March 31, 2013 (accrued $6.2 million for the three month period ended March 31, 2012). The amount of the transfer received for the three month period will vary from that estimated by the amount of administration and legal costs incurred by the Government of Canada.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 2

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

CREDIT OR RECOVERY

Year ended March 31, 2013

	2013		
	Authorized[2]	Actual	(Shortfall)/ Excess
		(in thousands)	
Federal Government Forestry Programs	$ 50	$ -	$ (50)
Bow Habitat Station	80	150	70
Forestry Youth Programs	685	254	(431)
Water Management Infrastructure	2,900	1,837	(1,063)
Hinton Training Centre	524	162	(362)
Alberta Tree Improvement Centre	130	175	45
Reclamation /Remediation Certificates	2,600	701	(1,899)
Air Quality Health Index	200	200	-
Forest Reforestation	157	105	(52)
Spatial Data Warehouse	3,450	2,355	(1,095)
Mountain Pine Beetle Control Funding – Province of Saskatchewan	450	450	-
Fish and Wildlife	7,275	7,003	(272)
Joint Oil Sands Monitoring	17,400	13,224	(4,176)
	$ 35,901	$ 26,616	$ (9,285)[1]

(1) Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

(2) The authorized budget for credits or recovery includes Adjustments appearing on Schedules 4 and 5. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*. Only expenditures are authorized.

Federal Government Forestry Programs – Revenue is collected through agreements with the Government of Canada to fund various forestry programs such as the country-wide framework for synthesizing data and reporting on the status of Canadian forests, as well as conducting risk analysis impacts of national significance.

Bow Habitat Station – Revenues are from admissions, concessions, programs, special events, rentals, membership and donations which are used to offset the visitor centre's operating expenses.

Forestry Youth Programs – Forestry Youth Employment Initiatives are delivered by the Department in partnership with industry, communities, and other government departments to promote career opportunities for youth related to forestry and other natural resource fields.

Water Management Infrastructure credit of recovery initiative refers to the maintenance and upgrading of the provincial water management infrastructure system. Revenues are received through the Use of Works Agreements whereby developers pay an annual fee to the Government of Alberta.

Hinton Training Centre initiative was established for the purpose of collecting revenue for room and board, for classroom utilization, and the sale of interactive fire compact discs for national and international studies.

Alberta Tree Improvement Centre initiative accounts for the scientific work, resource conservation, and technology transfer related to regional forest improvement in the Peace Region.

Reclamation Certificates credit or recovery initiative refers to the costs of conducting audits at sites that are certified under the upstream oil and gas reclamation program. Revenues are received through a reclamation certificate application fee.

CREDIT OR RECOVERY

Year ended March 31, 2013

Remediation Certificate credit of recovery initiative refers to the costs of conducting site audits that are certified under Environment and Sustainable Resource Development's new Remediation Certificate Regulation. Revenues are received through a remediation site certificate application fee.

Air Quality Health Index credit or recovery initiative refers to the communication efforts that support the implementation of the national Air Quality Health Index in the province. Revenue is collected through an agreement with Health Canada as part of the federal Air Quality Health Index National Outreach Strategy.

Forest Reforestation – The program is designed to assist forest companies to adopt the new Alternate Regeneration Survey (ARS) standards and survey protocols by facilitating the process of photo acquisition to ensure aerial photo standardization.

Spatial Data Warehouse initiative was established for updating and distributing provincial base maps, including cadastral, disposition, and topographic mapping. Revenue for this initiative is from filing fees for cadastral and disposition mapping collected at the time of registration, revenue sharing with Spatial Data Warehouse Ltd., provincial base map sales, and partnership funding for topographic map updating.

Mountain Pine Beetle – The Government of Saskatchewan has provided funding to assist with mountain pine beetle control for fiscal year 2012-13.

Fish and Wildlife initiative promotes industry stewardship and investment in this provincial resource and fosters improved industry relationships with other stakeholders.

Joint Oil Sands Monitoring – a Joint implementation Plan developed by the Governments of Alberta and Canada to build and enhance the current monitoring program in the oil sands area. Revenue will be collected from industry, to be disbursed to those parties who are currently delivering monitoring services within the area.

Note: The credits or recoveries presented in this schedule are included in the ministry's Statement of Operations.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 3

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

EXPENSES – DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2013

	2013		2012
	Budget	Actual	Actual Restated (Note 3, 4 & 14)
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 265,391	$ 285,371	$ 272,096
Supplies and Services	166,298	404,080	372,048
Supplies and Services from Support Service Arrangements with Related Parties (1)	806	755	537
Grants	136,780	177,778	140,321
Financial Transactions and Other	1,450	1,640	4,102
Consumption of Inventory	1,310	844	840
Amortization of Tangible Capital Assets	37,229	29,033	28,073
	$ 609,264	$ 899,501	$ 818,017

(1) The ministry receives financial and administrative services from the Ministry of Energy.

Severance and termination payments amounting to $176 for eligible executive management positions are included in supplies and services.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 4

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

BUDGET

Year ended March 31, 2013

	2012-2013 Estimate	Adjustment to Conform to Accounting Policy (a)	Revised Estimates	Adjustment (b)	2012-2013 Budget	Supplementary Estimate (c)	2012-2013 Authorized Budget
				(in thousands)			
Revenue							
Transfers from Government of Canada	$ 89,167	$ 348	$ 89,515	$ -	$ 89,515	$ -	$ 89,515
Investment Income	1,543	-	1,543	-	1,543	-	1,543
Premiums, Fees and Licenses	113,518	-	113,518	-	113,518	-	113,518
Climate Change and Emissions Management Fund	70,000	-	70,000	-	70,000	-	70,000
Other Revenue	18,519	-	18,519	-	18,519	-	18,519
	292,747	348	293,095	-	293,095	-	293,095
Expenses – Directly Incurred							
Programs							
Ministry Support Services	53,445	-	53,445	-	53,445	(1,900)	51,545
Forestry:							
Wildfire Management	122,728	-	122,728	-	122,728	258,600	381,328
Forest Management	23,281	-	23,281	450	23,731	39,750	63,481
Forest Industry Development	3,763	-	3,763	-	3,763	(500)	3,263
Policy							
Air, Land and Waste Policy	5,972	-	5,972	200	6,172	-	6,172
Climate Change	62,338	-	62,338	-	62,338	(30,903)	31,435
Clean Energy	7,942	-	7,942	-	7,942	-	7,942
Policy Innovation	1,592	-	1,592	-	1,592	-	1,592
Water Policy	9,322	-	9,322	-	9,322	-	9,322
Climate Change and Emissions Management	70,000	-	70,000	-	70,000	-	70,000
Operations							
Resource Management	18,597	-	18,597	-	18,597	-	18,597
Approvals	28,727	-	28,727	-	28,727	(3,453)	25,274
Compliance and Enforcement	12,354	-	12,354	-	12,354	-	12,354
Water Operations	41,121	-	41,121	-	41,121	-	41,121
Emergency Response	1,406	-	1,406	-	1,406	-	1,406

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 4

(cont)

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

BUDGET

Year ended March 31, 2013

	2012-2013 Estimate	Adjustment to Conform to Accounting Policy (a)	Revised Estimates	Adjustment (b)	2012-2013 Budget	Supplementary Estimate (c)	2012-2013 Authorized Budget
Lands							
Public Land Management	31,728	-	31,728	-	31,728	12,700	44,428
Rangeland Management	10,297	-	10,297	-	10,297	(100)	10,197
Land Dispositions	8,479	-	8,479	-	8,479	-	8,479
Land Use Secretariat	6,894	-	6,894		6,894	-	6,894
Fish and Wildlife:							
Fisheries Management	10,851	-	10,851	-	10,851	-	10,851
Wildlife Management	29,003	-	29,003	-	29,003	(3,804)	25,199
Monitoring, Science and Reporting	21,872	-	21,872	-	21,872	17,400	39,272
Strategy:							
Water and Air Partners	7,819	-	7,819	-	7,819	(1,293)	6,526
Strategy and Analysis	3,889	-	3,889	-	3,889	-	3,889
Regional Planning	3,076	-	3,076	-	3,076	-	3,076
Quasi-Judicial Land-Use and Compensation Decisions:							
Natural Resources Conservation Board	6,449	-	6,449	-	6,449	-	6,449
Surface Rights and Land Compensation Boards	2,957	-	2,957	-	2,957	-	2,957
Reclamation and Emergency Preparedness	2,174	-	2,174	-	2,174	-	2,174
Legal Settlement	1,088	-	1,088	-	1,088	-	1,088
Credit or Recovery Shortfall (Schedule 2)	-	-	-	(9,285)	(9,285)	-	(9,285)
	609,164	-	609,164	(8,635)	600,529	286,497	887,026
Net Operating Results	$ (316,417)	$ 348	$ (316,069)	$ 8,635	$ (307,434)	$ (286,497)	$ (593,931)
Capital Investment	$ 32,139	$ -	$ 32,139	$ -	$ 32,139	$ 16,010	$ 48,149
Non-Budgetary Disbursements	$ 100	$ -	$ 100	$ -	$ 100	$ -	$ 100

(a) Adjustment in accordance with PS1201.133 to conform fiscal plan numbers to the accounting policy change adopted for government transfers.

(b) Adjustment includes Credit or Recovery Shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011 and $450 for the Mountain Pine Beetle program approved on October 22, 2012. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(c) Supplementary Estimates of $286,497 were approved on March 21, 2013, combined with a surplus of $29,253 to provide: $17,400 for Joint Canada and Alberta Implementation for Oil Sands Monitoring; $258,600 for fire fighting costs and $39,750 for mountain pine beetle infestation.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 5

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

LAPSE/ENCUMBRANCE

Year ended March 31, 2013

	Voted Estimate (1)	Adjust-ments (2)	Supplementary Estimate (3)	Adjusted Voted Estimate	Actuals (4)	Unexpended (Over Expended)
			(in thousands)			
Program Operating						
Ministry Support Services						
1.1 Minister's Office	$ 1,091	$ -	-	$ 1,091	$ 771	$ 320
1.2 Deputy Minister's Office	1,389		-	1,389	716	673
1.3 Communications	3,122	-	-	3,122	2,253	869
1.4 Human Resources	4,148	-	-	4,148	4,281	(133)
1.5 Legal Services	462	-	-	462	375	87
1.6 Corporate Services	41,989	-	(1,900)	40,089	47,801	(7,712)
	52,201	-	(1,900)	50,301	56,197	(5,896)
Forestry						
2.1 Wildfire Management	98,088	-	258,600	356,688	341,178	15,510
2.2 Forest Management	22,781	450	39,750	62,981	60,819	2,162
2.3 Forest Industry Development	3,763	-	(500)	3,263	4,537	(1,274)
	124,632	450	297,850	422,932	406,534	16,398
Policy						
3.1 Air, Land and Waste Policy	5,972	200	-	6,172	7,548	(1,376)
3.2 Climate Change	62,338	-	(30,903)	31,435	30,272	1,163
3.3 Clean Energy	7,942	-	-	7,942	4,273	3,669
3.4 Policy Innovation	1,592	-	-	1,592	1,465	127
3.5 Water Policy	9,322	-	-	9,322	5,202	4,120
	87,166	200	(30,903)	56,463	48,760	7,703
Operations						
4.1 Resource Management	18,597	-	-	18,597	15,191	3,406
4.2 Approvals	28,727	-	(3,453)	25,274	19,616	5,658
4.3 Compliance and Enforcement	12,354	-	-	12,354	11,930	424
4.4 Water Operations	18,760	-	-	18,760	20,052	(1,292)
4.5 Emergency Response	1,406	-	-	1,406	1,783	(377)
	79,844		(3,453)	76,391	68,572	7,819
Lands						
5.1 Public Land Management	29,087	-	12,700	41,787	40,480	1,307
5.2 Rangeland Management	10,297	-	(100)	10,197	10,532	(335)
5.3 Land Dispositions	8,479	-	-	8,479	7,306	1,173
	47,863		12,600	60,463	58,318	2,145
Land Use Secretariat	6,894	-	-	6,894	6,891	3
Fish and Wildlife						
6.1 Fisheries Management	10,851	-	-	10,851	11,126	(275)
6.2 Wildlife Management	28,154	-	(3,804)	24,350	27,057	(2,707)
	39,005	-	(3,804)	35,201	38,183	(2,982)
7 Monitoring, Science and Reporting	21,872		17,400	39,272	33,397	5,875
Strategy						
8.1 Water and Air Partners	7,819	-	(1,293)	6,526	10,947	(4,421)
8.2 Strategy and Analysis	3,889	-	-	3,889	3,290	599
8.3 Regional Planning	3,076	-	-	3,076	2,820	256
	14,784		(1,293)	13,491	17,057	(3,566)
Quasi-Judicial Land-Use and Compensation Decisions						
9.1 Natural Resources Conservation Board	6,405	-	-	6,405	6,083	322
9.2 Surface Rights and Land Compensation Boards	2,949	-	-	2,949	3,185	(236)
	9,354			9,354	9,268	86

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT — Schedule 5 (cont)

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

LAPSE/ENCUMBRANCE

Year ended March 31, 2013

	Voted Estimate (1)	Adjustments (2)	Supplementary Estimate (3)	Adjusted Voted Estimate	Actuals (4)	Unexpended (Over Expended)
			(in thousands)			
Legal Settlement	-	-	-	-	500	(500)
Credit or Recovery Shortfall (Schedule 2)	-	(9,285)	-	(9,285)	-	(9,285)
Total	$ 483,615	$ (8,635)	$ 286,497	$761,477	$743,677	$ 17,800
Lapse/(Encumbrance)						$ 17,800
Program – Capital Investments						
Ministry Support Services						
1.6 Corporate	$ 425	$ -	$ -	$ 425	$ 460	$ (35)
Forestry						
2.1 Wildfire Management	14,598		17,000	31,598	29,122	2,476
2.2 Forest Management	-	-	-	-	13	(13)
Policy						
3.1 Air, Land and Waste Policy	-	-	-	-	4	(4)
3.4 Policy Innovation	-	-	-	-	3	(3)
Operations						
4.4 Water Operations	990	-	(990)	-	13	(13)
4.5 Emergency Response	-	-	-	-	510	(510)
Lands						
5.1 Public Land Management	902	-	-	902	304	598
5.2 Rangeland Management	200	-	-	200	199	1
5.3 Land Dispositions	5,000	-	-	5,000	227	4,773
Fish and Wildlife						
6.1 Fisheries Management	38	-	-	38	-	38
6.2 Wildlife Management	659	-	-	659	469	190
7 Monitoring, Science and Reporting	8,000	-	-	8,000	7,527	473
Total	$ 30,812	$ -	$ 16,010	$ 46,822	$ 38,851	$ 7,971
Lapse/(Encumbrance)						$ 7,971
Program – Inventory Purchases						
Forestry						
2.1 Wildfire Management	1,310	-	-	1,310	840	470
Total	$ 1,310	$ -	$ -	$ 1,310	$ 840	$ 470
Lapse/(Encumbrance)						$ 470
Non-Budgetary Disbursements						
Operations						
4.2 Approvals	100	-	-	100	40	60
Total	$ 100	$ -	$ -	$ 100	$ 40	$ 60
Lapse/(Encumbrance)						$ 60

(1) As per "Voted Expense by Program" and "Voted Capital Investment by Program" page 266 and 267 (for former Ministry of Sustainable Resource Development) and page 90 and 91 (for former Ministry of Environment and Water) of 2012-13 Government Estimates.

(2) Adjustments include encumbrances, capital carry forward amounts and credit or recovery increases approved by Treasury Board and credit recovery shortfalls. An encumbrance is incurred when, on a vote by vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate. All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding Voted Estimate in the current year.

(3) Per the Supplementary Supply Estimates approved on March 21, 2013.

(4) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 6

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

COMPARISON OF ACTUAL AND BUDGET

Year ended March 31, 2013

	Estimate (1)	Actual Voted	Actual Not Voted (2)	Actual Total	Difference
			(in thousands)		
EXPENSES					
Expense by program					
Ministry Support Services	$ 53,445	$ 56,197	$ 197	$ 56,394	$ (2,949)
Forestry					
Wildfire Management	122,728	341,178	20,074	361,252	(238,524)
Forest Management	23,281	60,819	555	61,374	(38,093)
Forest Industry Development	3,763	4,537	3	4,540	(777)
Policy					
Air, Land and Waste Policy	5,972	7,548	6	7,554	(1,582)
Climate Change	62,338	30,272	3	30,275	32,063
Clean Energy	7,942	4,273	16	4,289	3,653
Policy Innovation	1,592	1,465	-	1,465	127
Water Policy	9,322	5,202	34	5,236	4,086
Climate Change and Emissions Management	70,000	-	94,036	94,036	(24,036)
Operations					
Resource Management	18,597	15,191	57	15,248	3,349
Approvals	28,827	19,616	75	19,691	9,136
Compliance and Enforcement	12,354	11,930	112	12,042	312
Water Operations	41,121	20,092	19,904	39,996	1,125
Emergency Response	1,406	1,783	8	1,791	(385)
Lands					
Public Land Management	31,728	40,480	1,316	41,796	(10,068)
Rangeland Management	10,297	10,532	28	10,560	(263)
Land Dispositions	8,479	7,306	16,808	24,114	(15,635)
Land Use Secretariat	6,894	6,891	1	6,892	2
Fish and Wildlife					
Fisheries Management	10,851	11,126	47	11,173	(322)
Wildlife Management	29,003	27,057	405	27,462	1,541
Monitoring, Science and Reporting	21,872	33,397	77	33,474	(11,602)
Strategy					
Water and Air Partners	7,819	10,947	11	10,958	(3,139)
Strategy and Analysis	3,889	3,290	9	3,299	590
Regional Planning	3,076	2,820	2	2,822	254
Quasi-Judicial Land-Use and Compensation Decisions					
Natural Resources Conservation Board	6,449	6,083	-	6,083	366
Surface Rights Board	2,957	3,185	8	3,193	(236)
Reclamation and Emergency Preparedness	2,174	-	904	904	1,270
Legal Settlement	1,088	500	1,088	1,588	(500)
	$ 609,264	$ 743,717	$ 155,784	$ 899,501	$ (290,237)
Expense by fiscal plan category					
Operating Expenses	$ 472,182	$ 725,104	$ 55,381	$ 780,485	$ (308,303)
Capital Grants and Support	98,543	18,613	70,526	89,139	9,404
Amortization of Tangible Capital Assets	37,229	-	29,033	29,033	8,196
Inventory Consumption	1,310	-	844	844	466
	$ 609,264	$ 743,717	$ 155,784	$ 899,501	$ (290,237)

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 6**
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS **(cont)**
COMPARISON OF ACTUAL AND BUDGET
Year ended March 31, 2013

	Estimate (1)	Actual Voted	Actual Not Voted (2)	Actual Total	Difference
			(in thousands)		
Capital investment by program					
Ministry Support Services					
Corporate Services	$ 425	$ 460	$ -	$ 460	$ (35)
Forestry					
Wildfire Management	14,598	29,122	-	29,122	(14,524)
Forest Management	-	13	-	13	(13)
Policy					
Air, Land and Waste Policy	-	4	-	4	(4)
Policy Innovation	-	3	-	3	(3)
Operations					
Water Operations	990	13	-	13	977
Emergency Response	-	510	-	510	(510)
Lands					
Public Land Management	902	304	-	304	598
Rangeland Management	200	199	-	199	1
Land Dispositions	5,000	227	-	227	4,773
Fish and Wildlife					
Fisheries Management	38	-	-	-	38
Wildlife Management	659	469	-	469	190
Monitoring, Science and Reporting	8,000	7,527	-	7,527	473
Quasi-Judicial Land-Use and Compensation Decisions					
Natural Resources Conservation Board	17		32	32	(15)
Inventory Purchases					
Forestry					
Wildfire Management	1,310	840	-	840	470
	$ 32,139	$ 39,691	$ 32	$39,723	$ (7,584)

(1) As per page 265 to page 278 (for former Ministry of Sustainable Resource Development) and page 89 to page 101 (for former Ministry of Environment and Water) of 2012-13 Government Estimates.

(2) These amounts are not included in any supply vote either because no cash disbursement is required or because the Legislative Assembly has already provided funding authority pursuant to a statute other than an appropriation act.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

LOTTERY FUND ESTIMATES

Year ended March 31, 2013

	2012-13 Lottery Fund Estimates	2012-13 Actual	Unexpended (Over Expended)
		(in thousands)	
Resource Management	$ 500	$ 500	$ -

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2012-13. Having been transferred to the General Revenue Fund, these monies then become part of the ministry's supply vote. This table shows details of the initiatives within the ministry that are funded by the Lottery Fund and compares it to the actual results.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year ended March 31, 2013

	2013				2012
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total Restated (Note 3 & 14)
Deputy Minister (4)(5)	$ 273,054	$ 307	$ 82,987	$ 356,348	$ 345,034
Assistant Deputy Ministers					
Transformation and Integration	172,825	19,449	50,850	243,124	213,746
Strategy Division (6)	184,616	-	51,395	236,011	236,247
Policy Division	174,986	400	49,586	224,972	224,561
Corporate Services (7)	172,014	-	50,096	222,110	225,855
Integrated Resource Management Planning (8)	185,223	-	52,971	238,194	229,720
Forestry Division	175,175	300	50,178	225,653	210,021
Operations Division (9)	180,454	-	52,210	232,664	228,284
Monitoring and Science Division (10)	-	-	-	-	218,925

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base Salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.

(3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships, and tuition fees and health spending benefit.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals during the year.

(6) The position is currently shared by two individuals in an acting capacity. The previous incumbent has become ADM of the Integrated Resource Management Planning Division

(7) The current incumbent was in an acting capacity and became ADM effective October 2012.

(8) The position was occupied by two individuals during the year. The current incumbent was previously the ADM of Strategy Division.

(9) The position was occupied by two individuals during the year.

(10) A revised department organization structure was announced in January 2013, as a result the ADM of Monitoring and Science Division is no longer part of the Executive Team.

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 9

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

Year ended March 31, 2013

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The ministry had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Other Entities	
	2013	2012 Restated (Note 3 & 14)
Revenues		
Fees and Charges	$ 46	$ 66
	$ 46	$ 66
Expenses – Directly Incurred		
Grants	$ 1,111	$ 12,442
Other Services	8,862	10,850
Interest	376	148
	$ 10,349	$ 23,440
Payable To	$ 18,639	$ 2,463
Contractual Obligations	$ 83	$ 41

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 10.

	Other Entities	
	2013	2012 Restated (Note 3 & 14)
Expenses – Incurred by Others		
Water Management Infrastructure Maintenance	$ 4,947	$ 6,022
Accommodation	54,692	48,554
Administration Costs	9,914	10,998
Air Transportation	447	566
Legal	4,899	4,411
	$ 74,899	$ 70,551

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 10**

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

ALLOCATED COSTS

Year ended March 31, 2013

(in thousands)

		2013							2012
		Expenses – Incurred by others							Restated (Note 3 & 14)
Program	**Expenses (1)**	**Accommodation Costs (2)**	**Administration Costs (3)**	**Air Trans-portation (4)**	**Legal Services (5)**	**Water Management Infrastructure Maintenance**		**Total Expenses**	**Total Expenses**
Ministry Support Services	$ 56,394	$ 9,689	$ 757	$ 321	$ $1,119	$ -		$ 68,280	$ 70,133
Forestry									
Wildfire Management	361,252	10,405	4,385	74	238	-		376,354	372,578
Forest Management	61,374	4,234	763	-	97	-		66,468	57,609
Forest Industry Development	4,540	358	57	-	8	-		4,963	5,705
Policy									
Air, Land and Waste Policy	7,554	863	95	-	57	-		8,569	9,297
Climate Change	30,275	274	297	-	18	-		30,864	36,435
Clean Energy	4,289	632	54	-	42	-		5,017	5,349
Policy Innovation	1,465	231	18	-	15	-		1,729	997
Water Policy	5,236	527	66	-	35	-		5,864	4,688
Climate Change and Emissions Management	94,036	-	-	-	-	-		94,036	51,172
Operations									
Resource Management	15,248	2,043	224	-	315	-		17,830	15,634
Approvals	19,691	3,286	247	-	507	-		23,731	22,230
Compliance and Enforcement	12,042	2,191	151	-	338	-		14,722	13,076
Water Operations	39,996	2,127	501	-	328	4,947		47,899	44,788
Emergency Response	1,791	189	22	-	29	-		2,031	1,701
Lands									
Public Land Management	41,796	5,097	524	21	607	-		48,045	35,587
Rangeland Management	10,560	1,811	132	8	216	-		12,727	12,493
Land Dispositions	24,114	1,559	379	7	185	-		26,244	28,372

MINISTRY OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 10**

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS **(cont)**

ALLOCATED COSTS

Year ended March 31, 2013

(in thousands)

	2013							2012
		Expenses - Incurred by Others						Restated (Note 3 & 14)
Program	**Expenses (1)**	**Accommodation Costs (2)**	**Administration Costs (3)**	**Air Trans-portation (4)**	**Legal Services (5)**	**Water Management Infrastructure Maintenance**	**Total Expenses**	**Total Expenses**
Land Use Secretariat	$ 6,892	$ 190	$ 86	$ 2	$ 100	$ -	$ 7,270	$ 7,449
Fish and Wildlife								
Fisheries Management	11,173	1,833	140	-	254	-	13,400	14,104
Wildlife Management	27,462	2,064	343	11	286	-	30,166	28,764
Monitoring Science and Reporting	33,474	1,854	420	-	-	-	35,748	18,169
Strategy								
Water and Air Partners	10,958	1,390	137	-	67	-	12,552	13,120
Strategy and Analysis	3,299	548	41	-	26	-	3,914	3,814
Regional Planning	2,822	253	35	-	12	-	3,122	3,016
Quasi-judicial Land-use and Compensation Decisions								
Natural Resource Conservation Board	6,083	454	-	-	-	-	6,537	6,346
Surface Rights Board	3,193	590	40	3	-	-	3,826	4,051
Reclamation and Emergency Preparedness	904	-	-	-	-	-	904	803
Legal Settlement	1,588	-	-	-	-	-	1,588	1,088
	$ 899,501	$ 54,692	$ 9,914	$ 447	$ 4,899	$ 4,947	$ 974,400	$ 888,568

(1) Expenses – Directly Incurred as per Statement of Operations.
(2) Costs for accommodation on Schedule 9 were allocated by full time equivalent.
(3) Costs for administration on Schedule 9 were allocated by percentage of total costs incurred. Amount includes Administration for $9,753, Corporate Internal Audit Services (CIAS) for $79 and Corporate Human Resources Learning for $82.
(4) Costs for air transportation on Schedule 9 were allocated by percentage of use in prior year.
(5) Costs for legal services on Schedule 9 were allocated by estimated costs incurred by each program.

Department of Environment and Sustainable Resource Development

Financial Statements

Year Ended March 31, 2013

AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Environment and Sustainable Resource Development, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Environment and Sustainable Resource Development as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2013

Edmonton, Alberta

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENT OF OPERATIONS

Year ended March 31, 2013

	2013		2012
	Revised Budget (Schedule 4)	Actual	Actual Restated (Note 3, 4 & 14)
		(in thousands)	
Revenues (Schedule 1)			
Internal Government Transfers			
Reclamation and Emergency Preparedness	$ 2,174	$ 904	$ 803
Transfer to Environmental Protection and Enhancement Fund	(68,479)	(90,888)	(98,349)
Remission of Surplus from the Environmental Protection and Enhancement Fund	55,310	79,257	86,762
Transfer from Land Stewardship Fund	5,000	218	1,075
Transfers from Government of Canada	89,515	57,045	77,638
Investment Income	8	89	35
Premiums, Fees and Licences	113,518	131,332	120,267
Land Sales	5,000	23,075	60,667
Other Revenue	13,438	29,242	35,047
	215,484	230,274	283,945
Expenses – Directly Incurred (Note 2(b) and 10)			
Program (Schedules 3 and 6)			
Ministry Support Services	53,445	56,394	56,748
Forestry:			
Wildfire Management	110,728	349,897	347,368
Forest Management	22,781	60,886	51,869
Forest Industry Development	3,763	4,540	5,253
Policy:			
Air, Land and Waste Policy	5,972	7,554	8,739
Climate Change	62,338	30,275	36,083
Clean Energy	7,942	4,289	5,012
Policy Innovation	1,592	1,465	881
Water Policy	9,322	5,236	4,389
Operations:			
Resource Management	18,597	15,248	14,346
Approvals	28,827	19,691	20,059
Compliance and Enforcement	12,354	12,042	11,805
Water Operations	41,121	39,996	37,078
Emergency Response	1,406	1,791	1,583
Lands:			
Public Land Management	31,728	41,796	27,423
Rangeland Management	10,297	10,560	9,592
Land Dispositions	13,479	30,205	81,080
Land Use Secretariat	6,894	6,892	6,600
Fish and Wildlife:			
Fisheries Management	10,851	11,173	11,076
Wildlife Management	28,923	27,382	25,262
Monitoring, Science and Reporting	21,872	33,474	17,149
Strategy:			
Water and Air Partners	7,819	10,958	12,623
Strategy and Analysis	3,889	3,299	3,523
Regional Planning	3,076	2,822	2,873
Quasi-Judicial Land-Use and Compensation Decisions			
Natural Resources Conservation Board	6,405	6,105	5,922
Surface Rights Board	2,957	3,193	3,372
Reclamation and Emergency Preparedness	2,174	904	803
Legal Settlement	1,088	1,588	1,088
	531,640	799,655	809,599
Net Operating Results	$ (316,156)	$ (569,381)	$ (525,654)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

As at March 31, 2013

	2013	2012 Restated (Note 3, 4 & 14)
	(in thousands)	
Assets		
Cash and Cash Equivalents	$ 5,777	$ 5,752
Accounts Receivable (Note 5)	119,397	117,274
Prepayment of Settlement (Note 6)	10,732	11,758
Inventories	4,297	4,574
Tangible Capital Assets (Note 7)	1,162,710	1,126,140
	$ 1,302,913	$ 1,265,498
Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	$ 155,849	$ 188,782
Deferred Revenue (Note 9)	98,635	112,589
	254,484	301,371
Net Assets		
Net Assets at Beginning of Year (Note 3 & 4)	964,127	972,022
Less: Adjustment to opening net assets	(4,730)	-
Net Operating Results	(569,381)	(525,654)
Net Financing Provided from General Revenues	658,413	517,759
Net Assets at End of Year (Note 3 & 4)	1,048,429	964,127
	$ 1,302,913	$ 1,265,498

Contractual obligations and contingent liabilities (Notes 10 and 11)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENT OF CASH FLOWS

Year ended March 31, 2013

	2013	2012 Restated (Note 3, 4 & 14)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (569,381)	$ (525,654)
Non-cash Items Included in Net Operating Results		
Amortization	28,999	28,039
Loss (Gain) on Disposal of Tangible Capital Assets	175	(10,116)
Donation of Capital Asset	(990)	-
Nominal Sum Disposal	-	10,106
	(541,197)	(497,625)
(Increase) Decrease in Accounts Receivable	(2,123)	18,064
Decrease in Prepayments of Settlement	1,026	1,045
Decrease (Increase) in Inventories	278	(657)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(32,932)	10,563
Decrease in Deferred Revenue	(18,684)	(33,420)
Cash Applied to Operating Transactions	(593,632)	(502,030)
Capital Transactions		
Acquisition of Tangible Capital Assets	(39,124)	(14,574)
Proceeds on Disposal/Sale of Tangible Capital Assets	9	233
Transfer of Tangible Capital Assets to Other Government Entities (1)	264	14
Transfer of Tangible Capital Assets from Other Government Entities (1)	(25,905)	(2,314)
Cash Applied to Capital Transactions	(64,756)	(16,641)
Financing Transactions		
Net Financing Provided from General Revenues (1)	658,413	517,759
Impact of Restatement	-	577
Cash Provided by Financing Transactions	658,413	518,336
Increase (Decrease) in Cash and Cash Equivalents	25	(335)
Cash and Cash Equivalents at Beginning of Year	5,752	6,087
Cash and Cash Equivalents at End of Year	$ 5,777	$ 5,752

(1) Transfer of Non-cash Tangible Capital Assets between Government entities of 25,641.

The accompanying notes and schedules are part of these financial statements.

NOTE 1 AUTHORITY

The Department of Environment and Sustainable Resource Development (the Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Department also operates under the authority of the following acts:

Organization	Authority
The Department of Environment and Sustainable Resource Development	*Boundary Surveys Act* *Wildlife Act* *Fisheries (Alberta) Act* *Forests Act* *Forest and Prairie Protection Act* *Forest Reserves Act* *Mines and Minerals Act* *Public Lands Act* *Surveys Act*
Surface Rights Board	*Surface Rights Act*
Land Compensation Board	*Expropriation Act*

The Department of Environment and Sustainable Resource Development's mission is to lead the achievement of desired environmental outcomes and sustainable development of natural resources for Albertans, as proud stewards of air, land, water and biodiversity. The department accomplishes its mission through management, science and stewardship practices, working closely with Albertans and representatives of communities, other governments and industry. The work takes the department into conversation across jurisdictions, including international, national, provincial, regional and local parties.

The department's core business is leading and enabling the achievement of desired environmental outcomes and sustainable development of natural resources to provide economic and environmental benefits and to enrich Albertans' quality of life. The department is part of the resource management system in the province, with a focus on public lands, forests, fish and wildlife, air quality, water, waste, environmental emergencies, land reclamation and climate change. The department is responsible for overseeing the development, implementation, review and amendment of regional plans under the Land-use Framework. The department develops and implements strategies, policies, plans, and legislation to manage the cumulative effects of human activity and achieve Albertans' desired future. In delivering its core business, the Department of Environment and Sustainable Resource Development commits to Albertans that decisions are informed, responsible and accountable and respect the right mix of opportunities and benefits to achieve desired outcomes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Department of Environment and Sustainable Resource Development, which is part of the Ministry of Environment and Sustainable Resource Development and for which the Minister of Environment and Sustainable Resource Development is accountable. Other entities reporting to the Minister are the Environmental Protection and Enhancement Fund, the Natural Resources Conservation Board, the Climate Change and Emissions Management Fund, and the Land Stewardship Fund. The activities of these organizations are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on an accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Accounting Policy Change

Effective April 1, 2012, the department changed its policy for recording capital transfers and restricted capital contributions. Previously, capital transfers and restricted capital contributions were recorded as revenue when the tangible capital assets were acquired or constructed. As a result of this policy change, capital transfers and restricted capital contributions are recognized as deferred revenue upon receipt and transferred to revenue over the useful life of capital assets based on relevant stipulations by transferring government and restrictions by donors. This policy has been adopted retroactively without restatement of comparatives. As a result, the opening net assets/liabilities have decreased by $4,730.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the department's actions and communications as to the use of transfers create a liability.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Capital Contributions

Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's Credit or Recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of the employer contributions for current service of employees during the year,
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities, and
- grants which are recognized as expenses when authorized, eligibility criteria, if any, are met and a reasonable estimate of the amount can be made.

Incurred by Others

Services contributed by other entities in support of the department operations are not recognized and are disclosed in Schedule 9 and allocated to programs in Schedule 10.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Disposal of capital assets for nominal sum, often referred to as nominal sum disposal grants, are now reported at the book value of the asset. Previously these disposals had been reported at the fair value of the asset. As the total dollar value of nominal sum disposal grants by the government is relatively small, this change in reporting is being implemented prospectively from April 1, 2012, rather than retroactively.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to remediate contaminated sites. When the department has incurred such liabilities, a liability is accrued based on management's best estimates. Where an environmental liability cannot be estimated, the nature of the liability and its potential effect on the department's financial statements is disclosed.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the department and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

Measurement Uncertainty *(in thousands)*

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Royalties and Disturbance fees
Royalties and disturbance fees on dispositions, recorded as $2,648 in these financial statements, are subject to measurement uncertainty.

Some revenues are predicated on self-assessment where clients are expected to understand the terms of their lease or permit and comply with them. This could impact the completeness of the revenues from royalties and disturbance fees on dispositions when clients fail to comply with the lease, permit, or disposition requirements. The department is in the process of enhancing systems and methods to validate amounts reported and ensure completeness of revenues. Regardless of system enhancements, procedures cannot identify all sources of unreported income from self assessed revenues. The department does not estimate the amount of unreported royalties or disposition fees.

Provision for Doubtful Accounts
The provision for doubtful accounts, expensed as $176 in these financial statements, is based on the assumption that:

- 5% of the accounts receivable between 32 and 90 days
- 50% of the accounts receivable between 91 and 365 days, and
- 100% of the accounts receivable over 365 days

at March 31, 2013 will not be collected.

(c) Future Accounting Changes

PS 3260- Liability for Contaminated Sites
In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The entity would recognize a liability related to the remediation of such contaminated site subject to certain recognition criteria. Management is currently assessing the impact of this adoption in the financial statements.

NOTE 3 GOVERNMENT REORGANIZATION

(in thousands)

The Department of Environment and Sustainable Resource Development was established as a result of restructuring of government ministries announced on May 8, 2012. Comparatives for 2012 have been restated as if the department had always been assigned with its current responsibilities.

Net Assets (Liabilities) as previously reported in the Department of Environment and Water	$ 708,157
Net Assets (Liabilities) as previously reported in the Department of Sustainable Resource Development	$ 263,865
Net Assets (Liabilities) at March 31, 2011	$ 972,022

NOTE 4 RESTATEMENT OF PRIOR YEAR

(in thousands)

Net Assets (Liabilities) as previously reported at March 31, 2012	$ 965,825
Vacation liability restatement*	(1,843)
Inventory restatement*	145
Net Assets (Liabilities) restated at March 31, 2012	$ 964,127
Net Operating Results as previously reported at March 31, 2012	$ (522,952)
SREM Aboriginal Affairs Branch transfers from the Department of Energy	(859)
Vacation liability restatement*	(1,843)
March 31, 2012 restated Net Operating Results	$ (525,654)
Net Financing provided from General Revenues as previously reported at March 31, 2012	$ 516,755
SREM Aboriginal Affairs Branch transfers from the Department of Energy	859
Inventory restatement*	145
Restated Net Financing provided from General Revenue at March 31, 2012	$ 517,759

* Restatement due to prior year errors.

NOTE 5 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value Restated (Note 3)
Accounts receivable	$ 120,895	$ (1,987)	$ 118,908	$ 116,299
Water Power Rentals	202	-	202	179
Use of Works	287	-	287	246
Transfer from the Environmental Protection and Enhancement Fund for Reclamation and Emergency Preparedness	-	-	-	351
Refunds from suppliers	-	-	-	199
	$ 121,384	$ (1,987)	$ 119,397	$ 117,274

Accounts receivable are unsecured and interest bearing at various rates.

NOTE 6 PREPAYMENT OF SETTLEMENT
(in thousands)

The amount of $10,732 represents a prepayment for future access rights under the Bassano Dam settlement agreement with the Siksika Nation. The prepaid access rights will be expensed annually over the next 12 years as follows: $1,088 for the next year, $1,537 in the second year and $1,025 annually for the remaining 10 years.

NOTE 7 TANGIBLE CAPITAL ASSETS
(in thousands)

	Land[1]	Buildings	Equipment[2]	Computer Hardware and Software	Land Improve-ments	Highways and Roads	Dam & Water Management Structures[3]	Other[4]	2013 Total
Estimated Useful Life	Indefinite	10-40 years	3–15 years	5–10 years	5-40 years	20-50 years	20-80 years	5–24 years	
Historical Costs[5]									
Beginning of year	$ 129,802	$ 57,585	$ 78,945	$ 51,433	$ 74,135	$ 24,553	$ 1,187,536	$ 51,830	$ 1,655,819
Additions	615	4,100	4,786	3,117	7,916	14,219	26,592	20,392	81,737
Disposals, including write-downs	(196)	(592)	(1,069)	(52)	(14,698)	-	-	-	(16,607)
	$ 130,221	$ 61,093	$ 82,662	$ 54,498	$ 67,353	$ 38,772	$ 1,214,128	$ 72,222	$ 1,720,949
Accumulated Amortization									
Beginning of year	$ -	$ 19,060	$ 37,487	$ 35,102	$ 44,674	$ 9,551	$ 365,313	$ 18,491	$ 529,678
Amortization expense	-	1,172	4,512	2,292	422	1,066	18,279	1,256	28,999
Effect of disposals	-	(414)	27	(51)	-	-	-	-	(438)
	$ -	$ 19,818	$ 42,026	$ 37,343	$ 45,096	$ 10,617	$ 383,592	$ 19,747	$ 558,239
Net Book Value at March 31, 2013	$ 130,221	$ 41,275	$ 40,636	$ 17,155	$ 22,257	$ 28,155	$ 830,536	$ 52,475	$1,162,710
Net Book Value at March 31, 2012	$ 129,802	$ 38,524	$ 41,458	$ 16,331	$ 29,461	$ 15,002	$ 822,223	$ 33,339	$1,126,140

(1) Land includes land acquired for building sites, infrastructure and other program use.

(2) Equipment includes office, laboratory, heavy and mobile equipment, vehicles and furniture.

(3) Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures, which are constructed by the Department of Transportation and transferred to the Department of Environment and Sustainable Resource Development upon their completion.

(4) Other consists of aircraft and aircraft engines; and highways and roads (consists of original pavement, roadbed, drainage works and traffic control devices).

(5) Historical costs include work-in-progress at March 31, 2013 totalling $100,805 (2012 - $71,257) comprised of: buildings $11,654 (2012 - $15,742); equipment $15,997 (2012 - $14,244); computer hardware and software $9,923 (2012 - $9,438); land improvements $16,276 (2012 - $23,955); dam improvements $25,602 (2012 - $2,314); Highways $0 (2012 - $802) and other $21,353 (2012 - $4,762). Historical costs also include asset classification changes.

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2013	2012 Restated (Note 3 & 4)
Payable to Environmental Protection and Enhancement Fund	$ 77,953	$ 94,053
Payable to the Land Stewardship Fund	435	35,882
Accrued liabilities	47,278	25,166
Accounts payable general	3,948	7,317
Site Remediation and Reclamation Obligations	1,251	1,251
Vacation pay	24,984	25,113
	$ 155,849	$ 188,782

NOTE 9 DEFERRED REVENUE
(in thousands)

Opening Deferred Revenue	$ 112,589
Add: Deferred Revenue received in the current year	15,640
Less: Deferred Revenue recognized as revenue in the current year	(29,594)
Closing Deferred Revenue	$ 98,635

	2013	2012
Timber Holding and Protection Charges	$ 2,989	$ 2,966
Canada ecoTrust for Clean Air and Climate Change	35,645	64,272
Lands and Grazing	28,026	26,184
Land Sales	1,567	9,180
Deferred Lease and Water Power Rental Agreement Revenues	876	579
Deferred Reclamation Certificates	518	416
Deferred Capital Grants	15,292	-
Other	13,722	8,992
	$ 98,635	$ 112,589

NOTE 10 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2013	2012
Service contracts	$ 54,492	$ 92,465
Long-term leases	3,039	3,853
Grants		
Canada ecoTrust for Clean Air and Climate Change	32,350	36,350
Various Other Programs	150	416
	$ 90,031	$ 133,084

	Service Contracts	Long-term Leases	Grants	Total
2013-14	$ 28,079	$ 622	$ 24,500	$ 53,201
2014-15	11,838	627	8,000	20,465
2015-16	6,749	355	-	7,104
2016-17	3,124	174	-	3,298
2017-18	518	174	-	692
Thereafter	4,184	1,087	-	5,271
	$ 54,492	$ 3,039	$ 32,500	$ 90,031

NOTE 11 CONTINGENT LIABILITIES

(in thousands)

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2013 the estimated liability for these claims is nil (2012: nil). The total amount claimed for all likely claims is $450 (2012: $1,950). Settlement of these claims will be made through the Alberta Risk Management Fund (ARMF). The resulting additional liability, if any, from likely claims in excess of the amounts covered by the ARMF is not determinable.

The department has been named in 14 (2012: 19) claims of which the outcome is not determinable. Of these claims, 12 (2012: 15) have specified amounts totalling $808,967 (2012: $827,984). The remaining two (2012: four) claims have no amounts specified. Included in the total claims, seven claims totalling $782,508 (2012: seven claims totalling $780,444) are covered in whole or in part by the ARMF. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 12 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

As at March 31, 2013 trust funds under administration were as follows:

	2013	2012
Geophysical General Trust	$ 3,634	$ 3,500
Miscellaneous General Trust (Lands)	26,158	22,665
Performance Deposit Trust	1,454	1,519
Forests Act Securities General Trust	1,733	1,835
Environmental Protection Security Fund	27,003	18,391
	$ 59,982	$ 47,910

In addition to the above trust funds under administration, the department holds bank guarantees in the form of letters of credit and promissory notes as follows:

	2013	2012
Miscellaneous General Trust (Lands)	$ 27,289	$ 23,776
Performance Deposit Trust	6,064	3,674
Forests Act Securities General Trust	1,019	3,020
Environmental Protection Security Fund	1,476,035	1,296,002
	$ 1,510,407	$ 1,326,472

NOTE 13 BENEFIT PLANS

(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of $23,498 for the year ended March 31, 2013 (2012 – $21,530). Departments are not responsible for future funding of the plan deficit other than through contributions increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of $303,423 (2011 – deficiency of $517,726), the Public Service Pension Plan reported a deficiency of $1,645,141 (2011 deficiency - $1,790,383) and the Supplementary Retirement Plan for Public Service Managers had a deficiency of $51,870 (2011 – deficiency $53,489).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of $51,717 (2012 – surplus $9,136) and the Management, Opted Out and Excluded Plan an actuarial surplus of $18,327 (2012 – surplus of $10,454). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 14 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 15 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 1

SCHEDULE TO FINANCIAL STATEMENTS

REVENUES

Year ended March 31, 2013

	2013		2012
	Revised Budget	**Actual**	**Actual Restated (Note 3, 4 & 14)**
		(in thousands)	
Internal Government Transfers			
Allocation of Revenue to Environmental Protection and Enhancement Fund	$ (68,479)	$ (90,888)	$ (98,349)
Remission of Surplus from Environmental Protection and Enhancement Fund	55,310	79,257	86,762
Reclamation and Emergency Preparedness	2,174	904	803
Transfer from Land Stewardship Fund	5,000	218	1,075
	(5,995)	(10,509)	(9,709)
Transfers from the Government of Canada			
Softwood Lumber Agreement*	25,369	20,512	28,368
Canada ecoTrust for Clean Air and Climate Change	59,666	28,626	34,411
Air Quality Health Index	-	200	200
Other	4,480	7,707	14,659
	89,515	57,045	77,638
Investment Income	8	89	35
Premiums, Fees and Licences			
Timber Royalties and Fees	34,900	46,248	39,204
Land and Grazing	65,054	74,804	69,554
Other	13,564	10,280	11,509
	113,518	131,332	120,267
Other Revenue			
Land Sales	5,000	23,075	60,667
Refunds of Expenses	-	2,898	12,088
Gain on disposal of Tangible Capital Assets and Nominal Sum Disposal	-	-	10,106
Water Resources	2,900	2,037	2,884
Various	10,538	24,307	9,969
	18,438	52,317	95,714
Total Revenues	$ 215,484	$ 230,274	$ 283,945

*The Softwood Lumber Agreement, 2006 requires the Minister of Natural Resources of the Government of Canada to collect a softwood lumber export tax on lumber export products to the United States. The export tax levels are based upon the *Random Lengths* Composite Framing Lumber Price Index (CFLPI). Above a CFLPI level of US$355 the export tax rate is 0 per cent. As the CFLPI falls below US$355, this tax rate increases in increments of 5 per cent until the export tax rate reaches 15 per cent. The export tax collected is transferred to the provinces net of the Government of Canada's administration and legal costs. (Note: Not in thousands)

The department received $20.5 million for the nine month period ended December 31, 2012 ($22.1 million for the nine month period ended December 31, 2011) and there are no accruals for the three month period ended March 31, 2013 (accrued $6.2 million for the three month period ended March 31, 2012). The amount of the transfer received for the three month period will vary from that estimated by the amount of administration and legal costs incurred by the Government of Canada.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 2

SCHEDULE TO FINANCIAL STATEMENTS

CREDIT OR RECOVERY

Year ended March 31, 2013

	2013		
	Authorized[2]	Actual *(in thousands)*	(Shortfall)/ Excess
Federal Government Forestry Programs	$ 50	$ -	$ (50)
Bow Habitat Station	80	150	70
Forestry Youth Programs	685	254	(431)
Water Management Infrastructure	2,900	1,837	(1,063)
Hinton Training Centre	524	162	(362)
Alberta Tree Improvement Centre	130	175	45
Reclamation/Remediation Certificates	2,600	701	(1,899)
Air Quality Health Index	200	200	-
Forest Reforestation	157	105	(52)
Spatial Data Warehouse	3,450	2,355	(1,095)
Mountain Pine Beetle Control Funding - Province of Saskatchewan	450	450	-
Fish and Wildlife	7,275	7,003	(272)
Joint Oil Sands Monitoring	17,400	13,224	(4,176)
	$ 35,901	$ 26,616	$ (9,285)[1]

[1] **Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.**

[2] The authorized budget for credits or recovery includes Adjustments appearing on Schedules 4 and 5. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*. Only expenditures are authorized.

Federal Government Forestry Programs – Revenue is collected through agreements with the Government of Canada to fund various forestry programs such as the country-wide framework for synthesizing data and reporting on the status of Canadian forests, as well as conducting risk analysis impacts of national significance.

Bow Habitat Station – Revenues are from admissions, concessions, programs, special events, rentals, membership and donations which are used to offset the visitor centre's operating expenses.

Forestry Youth Programs – Forestry Youth Employment Initiatives are delivered by the department in partnership with industry, communities, and other government departments to promote career opportunities for youth related to forestry and other natural resource fields.

Water Management Infrastructure credit of recovery initiative refers to the maintenance and upgrading of the provincial water management infrastructure system. Revenues are received through the Use of Works Agreements whereby developers pay an annual fee to the Government of Alberta.

Hinton Training Centre initiative was established for the purpose of collecting revenue for room and board, for classroom utilization, and the sale of interactive fire compact discs for national and international studies.

Alberta Tree Improvement Centre initiative accounts for the scientific work, resource conservation, and technology transfer related to regional forest improvement in the Peace Region.

Reclamation Certificates credit or recovery initiative refers to the costs of conducting audits at sites that are certified under the upstream oil and gas reclamation program. Revenues are received through a reclamation certificate application fee.

CREDIT OR RECOVERY

Year ended March 31, 2013

Remediation Certificate credit of recovery initiative refers to the costs of conducting site audits that are certified under Environment and Sustainable Resource Development's new Remediation Certificate Regulation. Revenues are received through a remediation site certificate application fee.

Air Quality Health Index credit or recovery initiative refers to the communication efforts that support the implementation of the national Air Quality Health Index in the province. Revenue is collected through an agreement with Health Canada as part of the federal Air Quality Health Index National Outreach Strategy.

Forest Reforestation – The program is designed to assist forest companies to adopt the new Alternate Regeneration Survey (ARS) standards and survey protocols by facilitating the process of photo acquisition to ensure aerial photo standardization.

Spatial Data Warehouse initiative was established for updating and distributing provincial base maps, including cadastral, disposition, and topographic mapping. Revenue for this initiative is from filing fees for cadastral and disposition mapping collected at the time of registration, revenue sharing with Spatial Data Warehouse Ltd., provincial base map sales, and partnership funding for topographic map updating.

Mountain Pine Beetle – The Government of Saskatchewan has provided funding to assist with mountain pine beetle control for fiscal year 2012-13.

Fish and Wildlife initiative promotes industry stewardship and investment in this provincial resource and fosters improved industry relationships with other stakeholders.

Joint Oil Sands Monitoring – a Joint implementation Plan developed by the Governments of Alberta and Canada to build and enhance the current monitoring program in the oil sands area. Revenue will be collected from industry, to be disbursed to those parties who are currently delivering monitoring services within the area.

Note: The credits or recoveries presented in this schedule are included in the department's Statement of Operations.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 3

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES – DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2013

	2013		2012
	Budget	**Actual**	**Actual** **Restated** **(Note 3, 4 & 14)**
		(in thousands)	
Salaries, Wages and Employee Benefits	$ 265,391	$ 250,668	$ 243,207
Supplies and Services	153,674	161,702	126,724
Supplies and Services from Support Service Arrangements with Related Parties (1)	806	755	537
Grants	66,780	332,524	345,839
Financial Transactions and Other	1,450	1,264	3,955
Land Stewardship Fund	5,000	22,899	60,458
Consumption of Inventory	1,310	844	840
Amortization of Tangible Capital Assets	37,229	28,999	28,039
	$ 531,640	$ 799,655	$ 809,599

(1) The department receives financial and administrative services from the Department of Energy.

Severance and termination payments amounting to $176 for eligible executive management positions are included in supplies and services.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 4

SCHEDULE TO FINANCIAL STATEMENTS

BUDGET

Year ended March 31, 2013

	2012-2013 Estimate	Adjustment to Conform to Accounting Policy(1)	Revised Estimates	Adjustment (a)	2012-2013 Budget	Supplementary Estimate (b)	2012-2013 Authorized Budget
Revenue							
Internal Government Transfer	$ 2,174	$ -	$ 2,174	$ -	$ 2,174	$ -	$ 2,174
Transfer to Environmental Protection and Enhancement Fund	(68,479)	-	(68,479)	-	(68,479)	-	(68,479)
Remission of Surplus from the Environmental Protection and Enhancement Fund	55,310	-	55,310	-	55,310	-	55,310
Transfers from Land Stewardship Fund	5,000	-	5,000	-	5,000	-	5,000
Transfers from Government of Canada	89,167	348	89,515	-	89,515	-	89,515
Investment Income	8	-	8	-	8	-	8
Premiums, Fees and Licenses	113,518	-	113,518	-	113,518	-	113,518
Other Revenue	18,438	-	18,438	-	18,438	-	18,438
	215,136	348	215,484	-	215,484	-	215,484
Expenses – Directly Incurred							
Programs							
Ministry Support Services	53,445	-	53,445	-	53,445	(1,900)	51,545
Forestry:							
Wildfire Management	110,728	-	110,728	-	110,728	258,600	369,328
Forest Management	22,781	-	22,781	450	23,231	39,750	62,981
Forest Industry Development	3,763	-	3,763	-	3,763	(500)	3,263
Policy							
Air, Land and Waste Policy	5,972	-	5,972	200	6,172	-	6,172
Climate Change	62,338	-	62,338	-	62,338	(30,903)	31,435
Clean Energy	7,942	-	7,942	-	7,942	-	7,942
Policy Innovation	1,592	-	1,592	-	1,592	-	1,592
Water Policy	9,322	-	9,322	-	9,322	-	9,322
Operations							
Resource Management	18,597	-	18,597	-	18,597	-	18,597
Approvals	28,727	-	28,727	-	28,727	(3,453)	25,274
Compliance and Enforcement	12,354	-	12,354	-	12,354	-	12,354
Water Operations	41,121	-	41,121	-	41,121	-	41,121
Emergency Response	1,406	-	1,406	-	1,406	-	1,406

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT
SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
Year ended March 31, 2013

Schedule 4
(cont)

	2012-2013 Estimate	Adjustment to Conform to Accounting Policy[1]	Revised Estimates	Adjustment (a)	2012-2013 Budget	Supplementary Estimate (b)	2012-2013 Authorized Budget
Lands							
Public Land Management	31,728	-	31,728	-	31,728	12,700	44,428
Rangeland Management	10,297	-	10,297	-	10,297	(100)	10,197
Land Dispositions	13,479	-	13,479	-	13,479	-	13,479
Land Use Secretariat	6,894	-	6,894	-	6,894	-	6,894
Fish and Wildlife:							
Fisheries Management	10,851	-	10,851	-	10,851	-	10,851
Wildlife Management	28,923	-	28,923	-	28,923	(3,804)	25,119
Monitoring, Science and Reporting	21,872	-	21,872	-	21,872	17,400	39,272
Strategy:							
Water and Air Partners	7,819	-	7,819	-	7,819	(1,293)	6,526
Strategy and Analysis	3,889	-	3,889	-	3,889	-	3,889
Regional Planning	3,076	-	3,076	-	3,076	-	3,076
Quasi-Judicial Land-Use and Compensation Decisions:							
Natural Resources Conservation Board	6,405	-	6,405	-	6,405	-	6,405
Surface Rights and Land Compensation Boards	2,957	-	2,957	-	2,957	-	2,957
Reclamation and Emergency Preparedness	2,174	-	2,174	-	2,174	-	2,174
Legal Settlement	1,088	-	1,088	-	1,088	-	1,088
Credit or Recovery Shortfall (Schedule 2)	-	-	-	(9,285)	(9,285)	-	(9,285)
	531,540	-	531,540	(8,635)	522,905	286,497	809,402
Net Operating Results	$ (316,404)	$ 348	$ (316,056)	$ 8,635	$ (307,421)	$ (286,497)	$ (593,918)
Capital Investment	$ 32,122	$ -	$ 32,122	$ -	$ 32,122	$ 16,010	$ 48,132
Non-Budgetary Disbursements	$ 100	$ -	$ 100	$ -	$ 100	$ -	$ 100

[1] Adjustment in accordance with PS1201.133 to conform fiscal plan numbers to the accounting policy change adopted for government transfers.

(a) Adjustment includes Credit or Recovery Shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011 and $450 for the Mountain Pine Beetle program approved on October 22, 2012. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates of $286,497 were approved on March 21, 2013, combined with a surplus of $29,253 to provide: $17,400 for Joint Canada and Alberta Implementation for Oil Sands Monitoring; $258,600 for fire fighting costs and $39,750 for mountain pine beetle infestation.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 5

SCHEDULE TO FINANCIAL STATEMENTS

LAPSE/ENCUMBRANCE

Year ended March 31, 2013

	Voted Estimate (1)	Adjust-ments (2)	Supplementary Estimate (3)	Adjusted Voted Estimate	Actuals (4)	Unexpended (Over Expended)
			(in thousands)			
Program Operating						
Ministry Support Services						
1.1 Minister's Office	$ 1,091	$ -	$ -	$ 1,091	$ 771	$ 320
1.2 Deputy Minister's Office	1,389		-	1,389	716	673
1.3 Communications	3,122	-	-	3,122	2,253	869
1.4 Human Resources	4,148	-	-	4,148	4,281	(133)
1.5 Legal Services	462	-	-	462	375	87
1.6 Corporate Services	41,989	-	(1,900)	40,089	47,801	(7,712)
	52,201	-	(1,900)	50,301	56,197	(5,896)
Forestry						
2.1 Wildfire Management	98,088	-	258,600	356,688	341,178	15,510
2.2 Forest Management	22,781	450	39,750	62,981	60,819	2,162
2.3 Forest Industry Development	3,763	-	(500)	3,263	4,537	(1,274)
	124,632	450	297,850	422,932	406,534	16,398
Policy						
3.1 Air, Land and Waste Policy	5,972	200	-	6,172	7,548	(1,376)
3.2 Climate Change	62,338	-	(30,903)	31,435	30,272	1,163
3.3 Clean Energy	7,942	-	-	7,942	4,273	3,669
3.4 Policy Innovation	1,592	-	-	1,592	1,465	127
3.5 Water Policy	9,322	-	-	9,322	5,202	4,120
	87,166	200	(30,903)	56,463	48,760	7,703
Operations						
4.1 Resource Management	18,597	-	-	18,597	15,191	3,406
4.2 Approvals	28,727	-	(3,453)	25,274	19,616	5,658
4.3 Compliance and Enforcement	12,354	-	-	12,354	11,930	424
4.4 Water Operations	18,760	-	-	18,760	20,052	(1,292)
4.5 Emergency Response	1,406	-	-	1,406	1,783	(377)
	79,844		(3,453)	76,391	68,572	7,819
Lands						
5.1 Public Land Management	29,087	-	12,700	41,787	40,480	1,307
5.2 Rangeland Management	10,297	-	(100)	10,197	10,532	(335)
5.3 Land Dispositions	8,479	-	-	8,479	7,306	1,173
	47,863		12,600	60,463	58,318	2,145
Land Use Secretariat	6,894	-	-	6,894	6,891	3
Fish and Wildlife						
6.1 Fisheries Management	10,851	-	-	10,851	11,126	(275)
6.2 Wildlife Management	28,154	-	(3,804)	24,350	27,057	(2,707)
	39,005		(3,804)	35,201	38,183	(2,982)
7 Monitoring, Science and Reporting	21,872		17,400	39,272	33,397	5,875
Strategy						
8.1 Water and Air Partners	7,819	-	(1,293)	6,526	10,947	(4,421)
8.2 Strategy and Analysis	3,889	-	-	3,889	3,290	599
8.3 Regional Planning	3,076	-	-	3,076	2,820	256
	14,784		(1,293)	13,491	17,057	(3,566)
Quasi-Judicial Land-Use and Compensation Decisions						
9.1 Natural Resources Conservation Board	6,405	-	-	6,405	6,105	300
9.2 Surface Rights and Land Compensation Boards	2,949	-	-	2,949	3,185	(236)
	9,354			9,354	9,290	64

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 5 (cont)
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2013

	Voted Estimate (1)	Adjust-ments (2)	Supplementary Estimate (3)	Adjusted Voted Estimate	Actuals (4)	Unexpended (Over Expended)
			(in thousands)			
Legal Settlement	-	-	-	-	500	(500)
Credit or Recovery Shortfall (Schedule 2)	-	(9,285)	-	(9,285)	-	(9,285)
Total	$ 483,615	$ (8,635)	$ 286,497	$ 761,477	$ 743,699	$ 17,778
Lapse/(Encumbrance)						$ 17,778
Program - Capital Investments						
Ministry Support Services						
1.6 Corporate	$ 425	$ -	$ -	$ 425	$ 460	$ (35)
Forestry						
2.1 Wildfire Management	14,598	-	17,000	31,598	29,122	2,476
2.2 Forest Management	-	-	-	-	13	(13)
Policy						
3.1 Air, Land and Waste Policy	-	-	-	-	4	(4)
3.4 Policy Innovation	-	-	-	-	3	(3)
Operations						
4.4 Water Operations	990	-	(990)	-	13	(13)
4.5 Emergency Response	-	-	-	-	510	(510)
Lands						
5.1 Public Land Management	902	-	-	902	304	598
5.2 Rangeland Management	200	-	-	200	199	1
5.3 Land Dispositions	5,000	-	-	5,000	227	4,773
Fish and Wildlife						
6.1 Fisheries Management	38	-	-	38	-	38
6.2 Wildlife Management	659	-	-	659	469	190
7 Monitoring, Science and Reporting	8,000	-	-	8,000	7,527	473
Total	$ 30,812	$ -	$ 16,010	$ 46,822	$ 38,851	$ 7,971
Lapse/(Encumbrance)						$ 7,971
Program - Inventory Purchases						
Forestry						
2.1 Wildfire Management	1,310	-	-	1,310	840	470
Total	$ 1,310	$ -	$ -	$ 1,310	$ 840	$ 470
Lapse/(Encumbrance)						$ 470
Non-Budgetary Disbursements						
Operations						
4.2 Approvals	100	-	-	100	40	60
Total	$ 100	$ -	$ -	$ 100	$ 40	$ 60
Lapse/(Encumbrance)						$ 60

(1) As per "Voted Expense by Program" and "Voted Capital Investment by Program" page 266 and 267 (for former Department of Sustainable Resource Development) and page 90 and 91 (for former Department of Environment and Water) of 2012-13 Government Estimates.

(2) Adjustments include encumbrances, capital carry forward amounts and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. An encumbrance is incurred when, on a vote by vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate. All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding Voted Estimate in the current year.

(3) Per the Supplementary Supply Estimates approved on March 21, 2013.

(4) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 6

SCHEDULE TO FINANCIAL STATEMENTS

COMPARISON OF ACTUAL AND BUDGET

Year ended March 31, 2013

	Estimate[1]	Actual Voted	Actual Not Voted[2]	Actual Total	Difference
			(in thousands)		
EXPENSES					
Expense by program					
Ministry Support Services	$ 53,445	$ 56,197	$ 197	$ 56,394	$ (2,949)
Forestry					
Wildfire Management	110,728	341,178	8,719	349,897	(239,169)
Forest Management	22,781	60,819	67	60,886	(38,105)
Forest Industry Development	3,763	4,537	3	4,540	(777)
Policy					
Air, Land and Waste Policy	5,972	7,548	6	7,554	(1,582)
Climate Change	62,338	30,272	3	30,275	32,063
Clean Energy	7,942	4,273	16	4,289	3,653
Policy Innovation	1,592	1,465	-	1,465	127
Water Policy	9,322	5,202	34	5,236	4,086
Operations					
Resource Management	18,597	15,191	57	15,248	3,349
Approvals	28,827	19,616	75	19,691	9,136
Compliance and Enforcement	12,354	11,930	112	12,042	312
Water Operations	41,121	20,092	19,904	39,996	1,125
Emergency Response	1,406	1,783	8	1,791	(385)
Lands					
Public Land Management	31,728	40,480	1,316	41,796	(10,068)
Rangeland Management	10,297	10,532	28	10,560	(263)
Land Dispositions	13,479	7,306	22,899	30,205	(16,726)
Land Use Secretariat	6,894	6,891	1	6,892	2
Fish and Wildlife					
Fisheries Management	10,851	11,126	47	11,173	(322)
Wildlife Management	28,923	27,057	325	27,382	1,541
Monitoring, Science and Reporting	21,872	33,397	77	33,474	(11,602)
Strategy					
Water and Air Partners	7,819	10,947	11	10,958	(3,139)
Strategy and Analysis	3,889	3,290	9	3,299	590
Regional Planning	3,076	2,820	2	2,822	254
Quasi-Judicial Land-Use and Compensation Decisions					
Natural Resources Conservation Board	6,405	6,105	-	6,105	300
Surface Rights Board	2,957	3,185	8	3,193	(236)
Reclamation and Emergency Preparedness	2,174	-	904	904	1,270
Legal Settlement	1,088	500	1,088	1,588	(500)
	$ 531,640	$ 743,739	$ 55,916	$799,655	$(268,015)

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 6
SCHEDULE TO FINANCIAL STATEMENTS (cont)
COMPARISON OF ACTUAL AND BUDGET
Year ended March 31, 2013

	Estimate (1)	Actual Voted	Actual Not Voted (2)	Actual Total	Difference
			(in thousands)		
Expense by fiscal plan category					
Operating Expenses	$ 452,165	$ 725,126	$ 26,073	$ 751,199	$ (299,034)
Capital Grants and Support	46,043	18,613	-	18,613	27,430
Amortization of Tangible Capital Assets	32,122	-	28,999	28,999	3,123
Inventory Consumption	1,310	-	844	844	466
	$ 531,640	$ 743,739	$ 55,916	$ 799,655	$ (268,015)
Capital investment by program					
Ministry Support Services					
Corporate Services	$ 425	$ 460	$ -	$ 460	$ (35)
Forestry					
Wildfire Management	14,598	29,122	-	29,122	(14,524)
Forest Management	-	13	-	13	(13)
Policy					
Air, Land and Waste Policy	-	4	-	4	(4)
Policy Innovation	-	3	-	3	(3)
Operations					
Water Operations	990	13	-	13	977
Emergency Response	-	510	-	510	(510)
Lands					
Public Land Management	902	304	-	304	598
Rangeland Management	200	199	-	199	1
Land Dispositions	5,000	227	-	227	4,773
Land Use Secretariat					
Fish and Wildlife					
Fisheries Management	38	-	-	-	38
Wildlife Management	659	469	-	469	190
Monitoring, Science and Reporting	8,000	7,527	-	7,527	473
Inventory Purchases					
Forestry					
Wildfire Management	1,310	840	-	840	470
	$ 32,122	$ 39,691	$ -	$ 39,691	$ (7,569)

(1) As per page 265 to page 278 (for former Department of Sustainable Resource Development) and page 90 to page 101 (for former Department of Environment and Water) of 2012-13 Government Estimates.

(2) These amounts are not included in any supply vote either because no cash disbursement is required or because the Legislative Assembly has already provided funding authority pursuant to a statute other than an appropriation act.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT Schedule 7

SCHEDULE TO FINANCIAL STATEMENTS

LOTTERY FUND ESTIMATES

Year ended March 31, 2013

	2012-13 Lottery Fund Estimates	2012-13 Actual	Unexpended (Over Expended)
		(in thousands)	
Resource Management	$ 500	$ 500	$ -

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2012-13. Having been transferred to the General Revenue Fund, these monies then become part of the department's supply vote. This table shows details of the initiatives within the department that are funded by the Lottery Fund and compares it to the actual results.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

SALARY AND BENEFITS DISCLOSURE

Year ended March 31, 2013

	2013				2012
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total Restated (Note 3 & 14)
	(in thousands)				
Deputy Minister [4][5]	$ 273,054	$ 307	$ 82,987	$ 356,348	$ 345,034
Assistant Deputy Ministers					
Transformation and Integration	172,825	19,449	50,850	243,124	213,746
Strategy Division[6]	184,616	-	51,395	236,011	236,247
Policy Division	174,986	400	49,586	224,972	224,561
Corporate Services [7]	172,014	-	50,096	222,110	225,855
Integrated Resource Management Planning[8]	185,223	-	52,971	238,194	229,720
Forestry Division	175,175	300	50,178	225,653	210,021
Operations Division [9]	180,454	-	52,210	232,664	228,284
Monitoring and Science Division[10]	-	-	-	-	218,925

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base Salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.

(3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships, and tuition fees and health spending benefit.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals during the year.

(6) The position is currently shared by two individuals in an acting capacity. The previous incumbent has become ADM of the Integrated Resource Management Planning Division.

(7) The current incumbent was in an acting capacity and became ADM effective October 2012.

(8) The position was occupied by two individuals during the year. The current incumbent was previously the ADM of Strategy Division.

(9) The position was occupied by two individuals during the year.

(10) A revised department organization structure was announced in January 2013, as a result the ADM of Monitoring and Science Division is no longer part of the Executive Team.

SCHEDULE TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The department had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	2013	**2012 Restated (Note 3 & 14)**	**2013**	**2012 Restated (Note 3 &14)**
Revenues				
Grants	$ 79,257	$ 86,762	$ -	$ -
Internal Government Transfers	904	803	-	-
Fees and Charges	-	-	46	66
	$ 80,161	$ 87,565	$ 46	$ 66
Expenses – Directly Incurred				
Grants	$ 291,326	$ 285,223	$ 1,111	$ 12,442
Other Services	-	-	8,428	9,841
Land Stewardship Fund	22,899	60,458	-	5
	$ 314,225	$ 345,681	$ 9,539	$ 22,288
Receivable from	$ 79,257	$ 87,118	$ -	$ -
Payable To	$ 78,388	$ 129,935	$ 833	$ 1,568
Contractual Obligations	$ -	$ -	$ 83	$ 41

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 10.

	Entities in the Ministry		Other Entities	
	2013	**2012**	**2013**	**2012 Restated (Note 3 & 14)**
Expenses – Incurred by Others				
Accommodation	$ -	$ -	$ 54,238	$ 48,097
Water Management Infrastructure Maintenance	-	-	4,947	6,022
Administration Costs	-	-	9,914	10,998
Air Transportation	-	-	447	566
Legal	-	-	4,899	4,411
	$ -	$ -	$ 74,445	$ 70,094

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 10**

SCHEDULE TO FINANCIAL STATEMENTS

ALLOCATED COSTS

Year ended March 31, 2013

(in thousands)

	2013							2012
		Expenses – Incurred by others						Restated (Note 3 & 14)
Program	Expenses (1)	Accommodation Costs (2)	Administration Costs (3)	Air Transportation (4)	Legal Services (5)	Water Management Infrastructure Maintenance	Total Expenses	Total Expenses
Ministry Support Services	$ 56,394	$ 9,689	$ 757	$ 321	$ 1,119	$ -	$ 68,280	$ 70,133
Forestry								
Wildfire Management	349,897	10,405	4,385	74	238	-	364,999	360,579
Forest Management	60,886	4,234	763	-	97	-	65,980	57,201
Forest Industry Development	4,540	358	57	-	8	-	4,963	5,705
Policy								
Air, Land and Waste Policy	7,554	863	95	-	57	-	8,569	9,297
Climate Change	30,275	274	297	-	18	-	30,864	36,435
Clean Energy	4,289	632	54	-	42	-	5,017	5,349
Policy Innovation	1,465	231	18	-	15	-	1,729	997
Water Policy	5,236	527	66	-	35	-	5,864	4,688
Operations								
Resource Management	15,248	2,043	224	-	315	-	17,830	15,634
Approvals	19,691	3,286	247	-	507	-	23,731	22,230
Compliance and Enforcement	12,042	2,191	151	-	338	-	14,722	13,076
Water Operations	39,996	2,127	501	-	328	4,947	47,899	44,788
Emergency Response	1,791	189	22	-	29	-	2,031	1,701
Lands								
Public Land Management	41,796	5,097	524	21	607	-	48,045	35,587
Rangeland Management	10,560	1,811	132	8	216	-	12,727	12,493
Land Dispositions	30,205	1,559	379	7	185	-	32,335	83,577

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 10

(cont)

SCHEDULE TO FINANCIAL STATEMENTS

ALLOCATED COSTS

Year ended March 31, 2013

(in thousands)

		2013							2012
		Expenses - Incurred by Others							Restated (Note 3 & 14)
Program	**Expenses (1)**	**Accommodation Costs (2)**	**Administration Costs (3)**	**Air Trans-portation (4)**	**Legal Services (5)**	**Water Management Infrastructure Maintenance**		**Total Expenses**	**Total Expenses**
Land Use Secretariat	$ 6,892	$ 190	$ 86	$ 2	$ 100	$ -		$ 7,270	$ 7,449
Fish and Wildlife									
Fisheries Management	11,173	1,833	140	-	254	-		13,400	14,104
Wildlife Management	27,382	2,064	343	11	286	-		30,086	28,687
Monitoring, Science and Reporting	33,474	1,854	420	-	-	-		35,748	18,169
Strategy									
Water and Air Partners	10,958	1,390	137	-	67	-		12,552	13,120
Strategy and Analysis	3,299	548	41	-	26	-		3,914	3,814
Regional Planning	2,822	253	35	-	12	-		3,122	3,016
Quasi-Judicial Land-use and Compensation Decisions									
Natural Resources Conservation Board	6,105	-	-	-	-	-		6,105	5,922
Surface Rights Board	3,193	590	40	3	-	-		3,826	4,051
Reclamation and Emergency Preparedness	904	-	-	-	-	-		904	803
Legal Settlement	1,588	-	-	-	-	-		1,588	1,088
	$ 799,655	$ 54,238	$ 9,914	$ 447	$ 4,899	$ 4,947		$ 874,100	$ 879,693

(1) Expenses – Directly Incurred as per Statement of Operations.

(2) Costs for accommodation on Schedule 9 were allocated by full time equivalent.

(3) Costs for administration on Schedule 9 were allocated by percentage of total costs incurred. Amount includes Administration for $9,753, Corporate Internal Audit Services (CIAS) for $79 and Corporate Human Resources Learning for $82.

(4) Costs for air transportation on Schedule 9 were allocated by percentage of use in prior year.

(5) Costs for legal services on Schedule 9 were allocated by estimated costs incurred by each program.

Climate Change and Emissions Management Fund

Financial Statements

Year Ended March 31, 2013

AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Climate Change and Emissions Management Fund, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Climate Change and Emissions Management Fund as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2013

Edmonton, Alberta

CLIMATE CHANGE AND EMISSIONS MANAGEMENT FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2013

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Revenues (Note 2(b))			
Facility Purchases of Fund Units by Sector			
Mining, Oil and Gas Extraction	$ 45,000	$ 46,586	$ 32,546
Utilities	14,000	37,319	10,452
Manufacturing	4,000	5,256	3,004
Transportation and Warehousing	7,000	4,573	4,768
Investment Income	-	302	402
	70,000	94,036	51,172
Expenses - Directly Incurred (Note 2(b))			
Administration	-	863	1,086
Grant to the Climate Change and Emissions Management Corporation	70,000	93,173	50,086
	70,000	94,036	51,172
Net Operating Results	$ -	$ -	$ -

The accompanying notes are part of these financial statements.

CLIMATE CHANGE AND EMISSIONS MANAGEMENT FUND
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	2013	2012
	(in thousands)	
Assets		
Cash (Note 3)	$ 46,200	$ 53,914
Accounts Receivable (Note 4)	64,519	15,473
	$ 110,719	$ 69,387
Liabilities		
Accounts Payable and Accrued Liabilities	$ 110,719	$ 69,387
	110,719	69,387
Net Assets		
Net Assets at Beginning of Year	-	-
Net Operating Results	-	-
Net Assets at End of Year	-	-
	$ 110,719	$ 69,387

Contractual obligations (Note 5)
The accompanying notes are part of these financial statements.

CLIMATE CHANGE AND EMISSIONS MANAGEMENT FUND

STATEMENT OF CASH FLOWS

Year ended March 31, 2013

	2013	2012
	(in thousands)	
Operating Transactions		
Net Operating Results	$ -	$ -
(Increase) Decrease in Accounts Receivable	(49,046)	6,853
Increase (Decrease) in Accounts Payable and Accrued Liabilities	41,332	(21,806)
Cash Applied to Operating Transactions	(7,714)	(14,953)
Decrease in Cash	(7,714)	(14,953)
Cash at Beginning of Year	53,914	68,867
Cash at End of Year	$ 46,200	$ 53,914

The accompanying notes are part of these financial statements.

NOTE 1 AUTHORITY

The Climate Change and Emissions Management Fund (CCEMF) operates under the authority of the *Climate Change and Emissions Management Act*, Chapter C-16.7.

The CCEMF may be used only for purposes related to reducing emissions of specified gases or improving Alberta's ability to adapt to climate change.

The CCEMF operates as follows:

- Revenues in the CCEMF are primarily from purchases of fund units ($15 per tonne) used in meeting net emissions intensity limits. Facilities can also make improvements to their operations, purchase Alberta-based offsets or use emission performance credits. Emissions intensity is the ratio of greenhouse gas emissions to facilities' production for the period.
- Emissions measurement involves the use of different methodologies including estimation techniques and use of emission factors. Such techniques can involve using equipment with varying degrees of precision. Use of different techniques and emission factors will produce different results.
- Management has provided guidance to facilities and verifiers for the calculation and verification of emissions intensity. Every facility submitting a compliance report is required to have a third party verify the report at a reasonable assurance level from January 1, 2012.

The systems and processes including the offsets purchased by facilities are new and complex. Management believes that as the system evolves and more guidance is developed, the calculation of emissions intensity will be refined through improved methodologies and data quality.

Management's guidance to the tillage offset verifiers allows the verifiers to rely on the offset project developers' written attestations and records as evidence that the offsets are valid. Management has revised its guidance to require verifiers to collect sufficient evidence to support claims for tillage offsets, beginning with the 2012 compliance period.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the CCEMF for which the Minister of Environment and Sustainable Resource Development is accountable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

i) Facility Purchases of Fund Units

These revenues are measured from amounts assessed by management and from estimates of amounts not yet assessed based on cash received from facilities that relates to compliance period ended December 31, 2012. Revenues also include adjustments between the revenue estimates for previous years and actual amounts. Revenues do not include an estimate of adjustments to amounts not yet assessed because it cannot be reliably determined.

Management has adopted a regulatory threshold on emissions and production reported by facilities when calculating emissions intensity. This threshold requires facilities to correct and re-verify submissions where errors exceed the threshold. Management can require errors below the threshold to be corrected. Uncorrected errors below the threshold have not been quantified.

ii) Completeness of Revenues from Facility Purchases of Fund Units

Facilities submitting compliance reports are expected to understand and comply with the relevant legislation. This has an impact on the completeness of revenue when facilities do not fully meet the legislative requirements and, for example, report inaccurate or incomplete emissions or production data. Management has implemented systems and processes to detect and correct situations where facilities have not complied with the legislation. These systems and controls, based on areas of highest risk, include performing verifications of facility and offset project records. Management does not estimate the effect of misreported revenue.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported.

The Revenues from Facility Purchases of Fund Units and accounts receivable in these financial statements are subject to measurement uncertainty because methodologies including estimation techniques and emission factors are used in emissions measurement.

Revenues not yet assessed by management and the related accounts receivable are recorded based on cash received from facilities.

Revenues and accounts receivable also include an estimate of $21,512 for the amounts owing for the period January 1 to March 31, 2013 (2012 - $13,828). Management estimated this amount as 25 per cent of revenues for the 2012 compliance period. Actual results could vary by a material amount.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Expenses

Expenses are those costs the CCEMF has primary responsibility and accountability for, as reflected in the Government's budget documents.

Grants are recognized as expenses when authorized, eligibility criteria are met and a reasonable estimate of the amount can be made.

Expenses include $863 for re-verification costs (2012 - $1,086) and a grant payment of $93,173 (2012-$50,086) made to the Climate Change and Emissions Management Corporation. Other administrative costs are paid for by the Department of Environment and Sustainable Resource Development.

Assets

Financial assets of the CCEMF are comprised of cash and accounts receivable.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets/Net Liabilities

Net assets/net liabilities represents the difference between the carrying value of assets held by the CCEMF and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The CCEMF operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, and Accounts Receivable, are estimated to approximate their carrying values because of the short term nature of these instruments.

NOTE 3 CASH

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2013, securities held by the Fund have a time-weighted return of 1.3% per annum (2012: 1.3% per annum).

CLIMATE CHANGE AND EMISSIONS MANAGEMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (in thousands)

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and non-interest bearing.

	2013	2012
Facility Purchases of Fund Units by Sector		
Mining, Oil and Gas Extraction	$ 38,933	$ 10,105
Utilities	22,928	3,337
Manufacturing	1,519	910
Transportation and Warehousing	1,139	1,121
	$ 64,519	$ 15,473

NOTE 5 CONTRACTUAL OBLIGATIONS

The CCEMF has a contractual grant obligation to the Climate Change and Emissions Management Corporation until September 1, 2014. The annual grant amount is equal to the revenues from Facility Purchases of Fund Units for the calendar year compliance period adjusted for accumulated interest, changes to amounts assessed and the cost of verifications initiated by management.

NOTE 6 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Environmental Protection and Enhancement Fund

Financial Statements

Year Ended March 31, 2013

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Environmental Protection and Enhancement Fund, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Environmental Protection and Enhancement Fund as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2013

Edmonton, Alberta

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2013

	2013		2012
	Budget	Actual	Actual
		(in thousands)	
Revenues			
Transfer from the Department of Environment and Sustainable Resource Development (Note 7)	$ 68,479	$ 376,109	$ 377,650
Investment Income	1,505	855	971
Other Revenue	80	341	731
	70,064	377,305	379,352
Expenses – Directly Incurred (Note 2(b) and Schedule 1)			
Environment Statutory Programs	2,174	904	803
Natural Resources Emergency Program			
Forest Fires	12,000	258,278	261,745
Forest Health Program	500	38,410	29,817
Intercept Feeding and Fencing	80	80	77
Debt Servicing Costs	-	376	148
	14,754	298,048	292,590
Net Operating Results	$ 55,310	$ 79,257	$ 86,762

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

STATEMENT OF FINANCIAL POSITION

As at March 31, 2013

	2013	2012
	(in thousands)	
Assets		
Cash and Cash Equivalents (Note 3)	$ 180,440	$ 163,782
Accounts Receivable (Note 4)	77,956	94,059
	$ 258,396	$ 257,841
Liabilities		
Accounts Payable and Accrued Liabilities	$ 107,763	$ 107,151
Deferred Revenue	633	690
	108,396	107,841
Net Assets		
Net Assets at Beginning of Year	150,000	150,000
Net Operating Results	79,257	86,762
Transfer to Department	(79,257)	(86,762)
Net Assets at End of Year (Note 6)	150,000	150,000
	$ 258,396	$ 257,841

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

STATEMENT OF CASH FLOWS

Year ended March 31, 2013

	2013	2012
	(in thousands)	
Operating Transactions		
Net Operating Results	$ 79,257	$ 86,762
Decrease (Increase) in Accounts Receivable	16,103	(13,317)
Increase in Accounts Payable and Accrued Liabilities	612	9,536
(Decrease) in Deferred Revenue	(57)	(46)
Cash Provided by Operating Transactions	95,915	82,935
Financing Transactions		
Transfer to the Department of Environment and Sustainable Resource Development	(79,257)	(86,762)
Cash Applied to Financing Transactions	(79,257)	(86,762)
Increase (Decrease) in Cash and Cash Equivalents	16,658	(3,827)
Cash and Cash Equivalents at Beginning of Year	163,782	167,609
Cash and Cash Equivalents at End of Year	$ 180,440	$ 163,782

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Environmental Protection and Enhancement Fund (the Fund) operates under the authority of the *Environmental Protection and Enhancement Act* (EPEA), Chapter E-12, Revised Statutes of Alberta 2000.

The components of the Fund are:
Environment Statutory Programs
Natural Resources Emergency Program

- Wildfire Suppression - Wildfire Management
- Forest Health
- Intercept Feeding and Fencing

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Fund, which is part of the Ministry of Environment and Sustainable Resource Development (the Ministry) and for which the Minister of Environment and Sustainable Resource Development is accountable. Other entities reporting to the Minister are the Department of Environment and Sustainable Resource Development, the Climate Change and Emissions Management Fund, the Land Stewardship Fund, and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on an accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Expenses
Directly Incurred
Directly incurred expenses are those costs the Fund has primary responsibility and accountability for, as reflected in the Government's budget documents.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Net Assets/Net Liabilities

Net assets represent the difference between the carrying value of assets held by the Fund and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Fund operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

NOTE 3 CASH AND CASH EQUIVALENTS

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2013, securities held by the Fund have a time-weighted return of 1.3% per annum (2012: 1.3% per annum).

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2013	2012
Department of Environment and Sustainable Resource Development	$ 77,953	$ 94,053
Other	3	6
	$ 77,956	$ 94,059

NOTE 5 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Fund to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2013	2012
Service Contracts	$ 35,091	$ 37,156
Long-term Leases	-	28
	$ 35,091	$ 37,184

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contract	Total
2013-14	$ 13,287	$ 13,287
2014-15	8,862	8,862
2015-16	7,740	7,740
2016-17	5,202	5,202
	$ 35,091	$ 35,091

NOTE 6 NET ASSETS

(in thousands)

The Net Assets for the Fund are capped at $150,000 in accordance with a Treasury Board decision.

NOTE 7 TRANSFER FROM THE DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

(in thousands)

The following revenue was received or is receivable from the Department of Environment and Sustainable Resource Development:

	2013	2012
Revenue in Excess of Department's Base Revenue (a)	$ 90,888	$ 98,349
Forest Health	37,922	29,408
Forest Fires	247,299	249,893
	$ 376,109	$ 377,650

(a) All revenue received by the Department (excluding Credit or Recovery) that is in excess of the Department's base revenue of $67,432 (2012 - $67,432).

NOTE 8 SALARY AND BENEFIT DISCLOSURE

The province's salary and benefit disclosure requirements for the Executives are disclosed in the financial statements of the Department of Environment and Sustainable Resource Development

NOTE 9 BUDGET FIGURES

The revenue and expenses budget amounts disclosed in these financial statements agree with the 2012-13 Government Estimates.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

Schedule 1

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES – DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2013

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 4,249	$ 29,595	$ 24,060
Supplies and Services	8,331	241,181	243,033
Grants	2,174	26,896	25,349
Financial Transactions and Other	-	376	148
Total Expenses	$ 14,754	$ 298,048	$ 292,590

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

Schedule 2

SCHEDULE TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

Year ended March 31, 2013

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include key management in the Fund.

The Fund had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues				
Transfer from the Department	$ 90,888	$ 98,349	$ -	$ -
Grants from the Department	285,221	279,301	-	-
	$ 376,109	$ 377,650	$ -	$ -
Expenses – Directly Incurred				
Other Services	904	803	413	990
Interest	-	-	376	148
	$ 904	$ 803	$ 789	$ 1,138
Receivable From	$ 77,953	$ 94,053	$ -	$ -
Payable To	$ 79,257	$ 87,113	$ 1,796	$ -

Land Stewardship Fund

Financial Statements

Year Ended March 31, 2013

AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Land Stewardship Fund, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Land Stewardship Fund as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2013

Edmonton, Alberta

LAND STEWARDSHIP FUND
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	2013 Budget	2013 Actual	2012 Actual (Note 6)
	(in thousands)		
Revenues			
Internal Government Transfers – Proceeds from Surplus Land Sales (Note 2 and 5)	$ 5,000	$ 22,899	$ 60,458
Investment Income	-	859	229
Other Revenue	-	815	-
	5,000	24,573	60,687
Expenses – Directly Incurred (Note 2(b) and Schedule 1)			
Operating Expenses	5,000	296	982
Grants	-	16,730	5,346
	5,000	17,026	6,328
Net Operating Results	$ -	$ 7,547	$ 54,359

The accompanying notes and schedules are part of these financial statements.

LAND STEWARDSHIP FUND

STATEMENT OF FINANCIAL POSITION

As at March 31, 2013

	2013	2012
	(in thousands)	
Assets		
Cash and Cash Equivalents (Note 3)	$ 86,101	$ 31,181
Accounts Receivable	435	35,882
	$ 86,536	$ 67,063
Liabilities		
Accounts Payable and Accrued Liabilities	$ 16,749	$ 4,823
	16,749	4,823
Net Assets		
Net Assets at Beginning of Year	62,240	7,881
Net Operating Results	7,547	54,359
Net Assets at End of Year (Note 4)	69,787	62,240
	$ 86,536	$ 67,063

The accompanying notes and schedules are part of these financial statements.

LAND STEWARDSHIP FUND

STATEMENT OF CASH FLOWS

Year ended March 31, 2013

	2013	2012
	(in thousands)	
Operating Transactions		
Net Operating Results	$ 7,547	$ 54,359
Decrease (Increase) in Accounts Receivable	35,447	(35,882)
Increase in Accounts Payable and Accrued Liabilities	11,926	4,818
Cash Provided by Operating Transactions	54,920	23,295
Increase in Cash and Cash Equivalents	54,920	23,295
Cash and Cash Equivalents at Beginning of Year	31,181	7,886
Cash and Cash Equivalents at End of Year	$ 86,101	$ 31,181

The accompanying notes and schedules are part of these financial statements.

LAND STEWARDSHIP FUND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Land Stewardship Fund (the Fund) operates under the authority of the *Public Lands Act*, section 11.2(1) and was established effective April 1, 2010. The Land Stewardship Fund has been set up to receive the proceeds from the sale of public land in Alberta. The funds can be used to purchase land for conservation and stewardship needs such as land for sensitive habitat, critical watersheds and conservation easements that better meet the ministry's mandate. Further, under the authority of the Alberta Regulation 31/2011 Public Lands Act Land Stewardship Fund, the Fund may be used to provide grants made by the Minister under the Environment Grant Regulation (AR 182/2000) to persons for the purchase of an estate or interest in land for conservation purposes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Fund, which is part of the Ministry of Environment and Sustainable Resource Development (the Ministry) for which the Minister of Environment and Sustainable Resource Development is accountable. Other entities reporting to the Minister are the Department of Environment and Sustainable Resource Development (the Department), the Environmental Protection and Enhancement Fund, the Climate Change and Emissions Management Fund, and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on an accrual basis. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Internal Government Transfers

Internal Government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Expenses

Directly Incurred
Directly incurred expenses are those costs the Fund has primary responsibility and accountability for, as reflected in the Government's budget documents.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Net Assets/Net Liabilities

Net assets represent the difference between the carrying value of assets held by the Fund and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Fund operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of Cash and Cash Equivalents, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

NOTE 3 CASH AND CASH EQUIVALENTS

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2013, securities held by the Fund have a time-weighted return of 1.3% per annum (2012: 1.3% per annum).

NOTE 4 NET ASSETS
(in thousands)

The Net Assets for the Fund are capped at $150,000 in accordance with the Land Stewardship Fund Regulation.

NOTE 5 TRANSFER FROM THE DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

Revenue received by the Department in payment for the sale of land inventory was transferred to the Land Stewardship Fund according to the Land Stewardship Fund Regulation.

NOTE 6 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

LAND STEWARDSHIP FUND

Schedule 1

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES – DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2013

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Supplies and Services	$ -	$ 296	$ 982
Transfer to the Department	5,000	218	1,075
Grants	-	16,512	4,271
Total Expenses	$ 5,000	$ 17,026	$ 6,328

LAND STEWARDSHIP FUND

Schedule 2

SCHEDULE TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

Year ended March 31, 2013

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Fund.

The Fund had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
Revenues	2013	2012	2013	2012
Internal Government Transfers – Proceeds from Surplus Land Sales (Note 2 & 5)	$ 22,899	$ 60,458	$ -	$ -
	$ 22,899	$ 60,458	$ -	$ -
Expenses – Directly Incurred				
Other Services	$ 218	$ 1,075	$ -	$ -
Receivable From	$ 435	$ 35,882	$ -	$ -
Payable To	$ -	$ 540	$ 16,010	$ -

Natural Resources Conservation Board

Financial Statements

Year Ended March 31, 2013

AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Members of the Natural Resources Conservation Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Natural Resources Conservation Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Natural Resources Conservation Board as at March 31, 2013, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 30, 2013

Edmonton, Alberta

NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	2013		2012
	Budget	**Actual**	**Actual**
Revenues			
Transfer from the Department of Environment and Sustainable Resource Development	$6,405,000	$6,105,000	$5,922,000
Interest	30,000	51,408	50,073
Other	1,000	2,425	2,725
	6,436,000	6,158,833	5,974,798
Expenses – Directly Incurred (Note 2b)			
Salaries and Benefits	5,360,130	5,107,200	4,850,282
Travel	459,600	327,454	369,787
Office	321,370	325,159	355,500
Consulting Services	169,100	196,879	167,951
Telecommunications	86,800	75,864	77,204
Amortization of Tangible Capital Assets	30,000	34,058	34,517
Advertising	22,000	16,687	33,281
	6,449,000	6,083,301	5,888,522
Net Operating Results	($13,000)	$75,532	$86,276

The accompanying notes and schedule are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	2013	2012
Assets		
Cash and Cash Equivalents (Note 3)	$3,224,759	$3,160,230
Accounts Receivable and Prepaid Expenses	33,247	28,418
Tangible Capital Assets (Note 4)	85,010	87,424
	$3,343,016	$3,276,072
Liabilities		
Accounts Payable and Accrued Liabilities	$379,585	$388,173
Net Assets		
Net Assets at Beginning of Year	2,887,899	2,801,623
Net Operating Results	75,532	86,276
Net Assets at End of Year	2,963,431	2,887,899
	$3,343,016	$3,276,072

The accompanying notes and schedule are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	2013	2012
Operating Transactions		
Net Operating Results	$75,532	$86,276
Non-cash Item Included in Net Operating Results		
Amortization	34,058	34,517
	109,590	120,793
Increase in Accounts Receivable and Prepaid Expenses	(4,829)	(9,296)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(8,588)	34,189
Cash Provided by Operating Transactions	96,173	145,686
Capital Transactions		
Acquisition of Tangible Capital Assets	(31,644)	(29,093)
Cash Applied to Capital Transactions	(31,644)	(29,093)
Increase in Cash and Cash Equivalents	64,529	116,593
Cash and Cash Equivalents at Beginning of Year	3,160,230	3,043,637
Cash and Cash Equivalents at End of Year	$3,224,759	$3,160,230

The accompanying notes and schedule are part of these financial statements.

NOTE 1 AUTHORITY AND PURPOSE

The Natural Resources Conservation Board (NRCB) operates under the authority of the *Natural Resources Conservation Board Act*, Chapter N-3, RSA 2000 (NRCBA). NRCB's mandate is to provide for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta. Included in this mandate are reviewable projects described in the NRCBA as well as the regulatory responsibilities set out in Part 2 of the *Agricultural Operation Practices Act*, Chapter A-7, RSA 2000 (AOPA) for the approval, monitoring and compliance of livestock confined feeding operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Revenue Recognition

All revenues are reported on the accrual basis of accounting.

b) Expenses

Directly Incurred
Directly Incurred expenses are those costs the NRCB has primary responsibility and accountability for, as reflected in the budget.

Incurred by Others
Services contributed by other entities in support of NRCB's operations are not recognized and are disclosed in Note 7 and in the Schedule of Allocated Costs.

c) Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the NRCB are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

c) Assets (Cont'd)

Tangible capital assets are recorded at historical cost. The threshold for capitalizing new tangible capital assets is $5,000. These assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer Hardware	Straight line – 3 years
Computer Software	Straight line – 2 to 3 years
Office Equipment	Declining balance – 20% per year
Office Furniture	Declining balance – 20% per year

d) Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

e) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable and Prepaid Expenses, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

f) Net Assets

Net assets represent the difference between the carrying value of assets held by the NRCB and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The NRCB operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

g) Pension Expense

Multi-employer defined benefit plans are accounted for as defined contribution plans, the expense being limited to the employer's annual contributions for the year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

h) Adoption of Accounting Policies

Effective April 1, 2012, the NRCB adopted PS 3410 - Government Transfers. This standard deals with how to account for and report government transfers. There was no impact on the NRCB's financial statements as a result of the adoption of this standard.

Effective April 1, 2012, the NRCB also adopted PS 3450, Financial Instruments together with PS 2601, Foreign Currency Translation. These new standards establish recognition, measurement, and disclosure requirements for financial instruments. Any unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There was no impact on the NRCB's financial statements as a result of the adoption of these standards, except that the NRCB does not present the statement of re-measurement gains and losses, as it does not have any unrealized gains or losses.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consist primarily of deposits in the Consolidated Cash Investment Trust Fund (the CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The CCITF is a pool comprised of short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2013, securities held by the CCITF have a time weighted rate of return of 1.3% per annum (2012 - 1.3% per annum).

NOTE 4 TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization.

	2013			2012
	Historical Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Computer Hardware	$198,091	$140,490	$57,601	$51,547
Computer Software	13,742	11,914	1,828	3,656
Office Equipment	46,630	39,369	7,261	9,083
Office Furniture	204,957	186,637	18,320	23,138
	$463,420	$378,410	$85,010	$87,424

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2013

NOTE 5 PENSION

The NRCB participates in the Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers which are government multi-employer pension plans. The expense for these pension plans is equivalent to the annual contribution of $95,321 for the year ended March 31, 2013 (2012 - $90,788). The NRCB is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012 the Management Employees Pension Plan reported a deficiency of $303,423,000 (2011 - deficiency $517,726,000) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $51,870,000 (2011 - deficiency $53,489,000).

In addition, the NRCB sponsors a defined contribution pension plan for employees who are not eligible to participate in the government sponsored pension plans. The expense for this pension plan is $261,705 for the year ended March 31, 2013 (2012 - $251,767). Pension expense comprises the cost of employer contributions during the year.

NOTE 6 SALARIES AND BENEFITS

	2013				2012
	Base Salary(a)	Other Cash Benefits(b)	Other Non-cash Benefits(c)	Total	Total
Chair(d)(e)	$161,475	$17,483	$30,588	$209,546	$198,984
Board Member 1(e)	130,254	-	38,626	168,880	165,809
Board Member 2(f)	97,693	3,743	34,233	135,669	152,780
Board Member 3(f)	97,352	7,486	23,977	128,815	48,445
CEO	192,591	8,089	55,505	256,185	240,731

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base salary includes pensionable base pay.

(b) Other cash benefits include health benefits pay in lieu and vacation payouts. There were no bonuses paid in 2013.

(c) Other non-cash benefits include the NRCB's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, pension and supplementary retirement plans, RRSP, Non-Registered Savings Plan, health benefits, professional memberships, and WCB premiums. The NRCB is a participant in the Energy Resources Conservation Board (ERCB) flexible health benefit plan.

(d) Automobile allowance included in other cash benefits.

NOTE 6 SALARIES AND BENEFITS (Cont'd)

(e) The position is 80% permanent part-time.

(f) The position is 60% permanent part-time.

NOTE 7 RELATED PARTY TRANSACTIONS

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel of the NRCB.

The NRCB and its employees paid certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this note.

The NRCB received $6,105,000 (2012 - $5,922,000) in net transfers from the Department of Environment and Sustainable Resource Development and $51,408 (2012 - $50,073) in revenue from other Government of Alberta departments. During the year, the NRCB paid $88,780 (2012 - $102,152) to various Government of Alberta departments and agencies for supplies and/or services. The Statement of Financial Position also includes $656 (2012 - $14,015) as payable to various government entities.

In addition, certain expenses for office space incurred on behalf of the NRCB by the Department of Infrastructure are not reflected in the Statement of Operations. These expenses amount to $453,755 (2012 - $456,139) and are reflected in the Schedule of Allocated Costs.

The NRCB has a Memorandum of Understanding (MOU) with the ERCB and an MOU with the Alberta Utilities Commission (AUC) to share resources on an on-going basis. Under the MOUs, the NRCB is both a service provider and a service recipient.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 8 BUDGET

The budget was included in the 2012-13 Government Estimates. The budget was approved by the Board on April 18, 2012.

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on May 30, 2013.

NATURAL RESOURCES CONSERVATION BOARD
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2013

	2013			2012
AOPA and NRCBA Mandates	**Expenses**	**Expenses incurred by others Office Costs [1]**	**Total Expenses**	**Total Expenses**
Board[2]	$1,220,010	$91,001	$1,311,011	$1,214,461
Operations[3]	4,863,291	362,754	5,226,045	5,130,200
	$6,083,301	$453,755	$6,537,056	$6,344,661

(1) See Note 7, Related Party Transactions.

(2) Board comprises expenses related to AOPA appeals and NRCBA reviews.

(3) Operations comprise expenses related to (a) the approval, monitoring and compliance activities under AOPA and (b) science and technical activities in support of AOPA and NRCBA mandates. NRCBA applications include the following projects: Parsons Creek Aggregates Limestone Quarry, and past and potential projects.

DEPARTMENT OF ENVIRONMENT AND SUSTAINABLE RESOURCE DEVELOPMENT

UNAUDITED STATEMENT OF REMISSIONS, COMPROMISES AND WRITE-OFFS

Year ended March 31, 2013

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The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Remissions under Section 21 of the *Financial Administration Act*		
Compromises under Section 22 of the *Financial Administration Act*		
Write-offs		
Departmental Accounts Receivable	107,864	
Department Accounts Payable Credits	-	
Total Write-offs		107,864
Total Remissions, Compromises and Write-offs		$ 107,864